

How Grave and for How Long?

Assessing the Impact of COVID-19 on Businesses in Tagbilaran City

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Why this research?

The provincial government of Bohol declared a quarantine on 13 March 2020 for five days and extending it further to 21 April 2020. The measure led to the mandatory temporary closure of several businesses and the deliberate decision of some business owners to cease operations despite being exempted from temporary closure. Consequently, it led to the forced but unpaid leave of affected employees. No one knows the extent of jobs lost, informal workers losing daily income, and the amount of losses suffered by businesses due to the closure.

The City Government of Tagbilaran, in response to the provincial directives, imposed the same preventive measures as well. Alongside these, different initiatives were implemented to cushion the

impacts of the crisis, especially to the poor, e.g., distribution of relief goods, assistance to health workers, bringing city services closer to the people.

When this research was conducted in May 2020, researchers at the University of the Philippines have projected that the pandemic will reach its peak in June and will affect a maximum of 900,000 people. Enhanced community quarantine measures, however, could flatten the curve, and they recommended location-specific quarantine measures if a whole-of country quarantine is not possible. But the capacity of local businesses to withstand prolonged closure is not known, and the overall impact of the pandemic on the local economy was not measured.

What do we want to know?

We wanted to know how the pandemic has impacted local businesses in Tagbilaran City. The city is the political and economic capital of the island province of Bohol in the Philippines. It is home to roughly a hundred thousand people (105,051 inhabitants based on a 2015 survey), 63.9% are of working age.

The 2020 registry of business establishments of the city shows that there are a total of 16,529 businesses. Fifty-three percent (53) of these businesses are engaged in trading while (42%) are into services. The remaining number is manufacturing establishments.



During the enhanced community quarantine, all business establishments are ordered closed except public markets, slaughterhouses, supermarkets and grocery stores, hospitals and health facilities, pharmacies and drug stores, water-refilling stations, banks and financial institutions, public utilities, gasoline stations, funeral parlors, restaurants, media establishments, freight and cargo companies, agricultural supply stores, food manufacturing plants, hardware and construction supplies, BPOs, textile industry, laundry shops, and automotive/vehicular repair shops. When the city transitioned to general community quarantine, restaurants, service establishments, and other businesses as bookstores, accounting and legal offices, publishing and printing, are allowed to open but at 50% capacity. Throughout this period, the island province was closed to tourists and ports of entry were closed to incoming travelers, except for locally-stranded individuals and returning OFWs.

With these restrictions, it is unavoidable that businesses will have significant losses in revenues. In this research, we would like to know what is the immediate impact of these restrictions on businesses, along with the other health culture measures that were implemented.

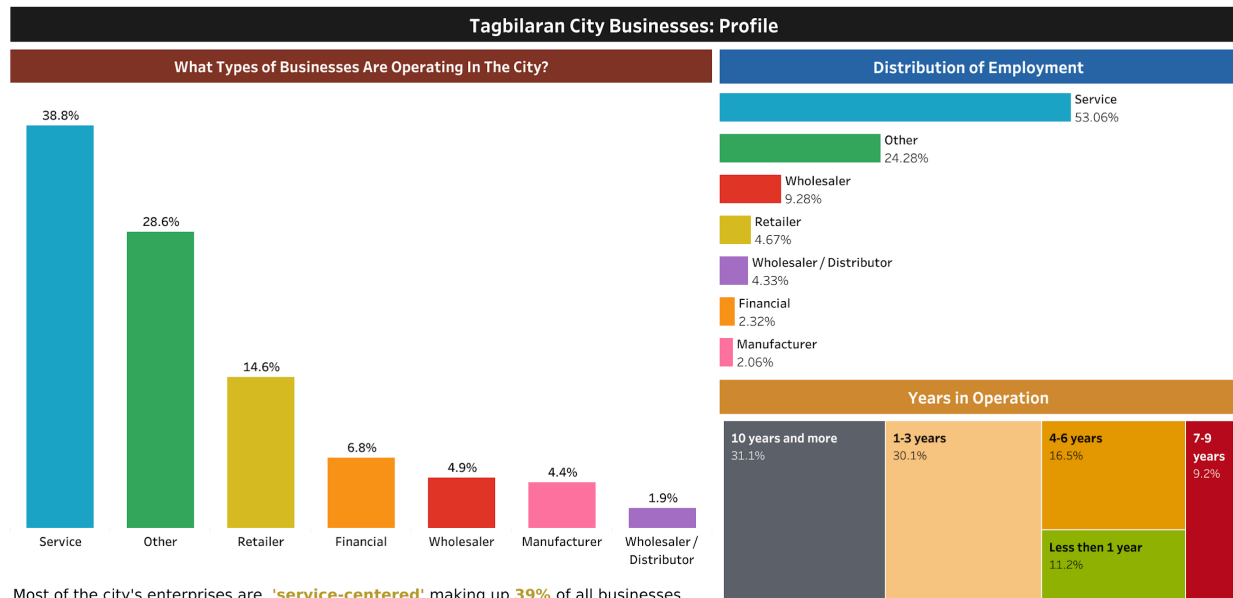
What did we do to answer our questions?

We conducted an online survey for the whole month of June 2020. Due to mobility restrictions, online surveys were the only efficient means to gather data. We complemented the results of the survey with key informant interviews from survey respondents. A total of 206 businesses responded to the survey.

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The major limitation of the study was our inability to conduct targeted interviews that were randomly selected out of the total population to extract a representative sample. Nevertheless, the results of the online survey mirrored the overall composition of registered businesses in the city. Based on the results of the survey, almost 40 % belong to the service sector (39%), which also provides the highest employment among the businesses located in the city. Further, most businesses have existed for more than ten years and above (31%) or have recently been established (1-3 years).

Based on the results of the surveys, we conducted key informant interviews via phone, with 20 respondents coming from the different sectors. The purpose of this was to gather more insights and qualitative data using the results of the survey as a basis. The results of these interviews were used to analyze the different variables we tried to explore through the survey of business owners. A

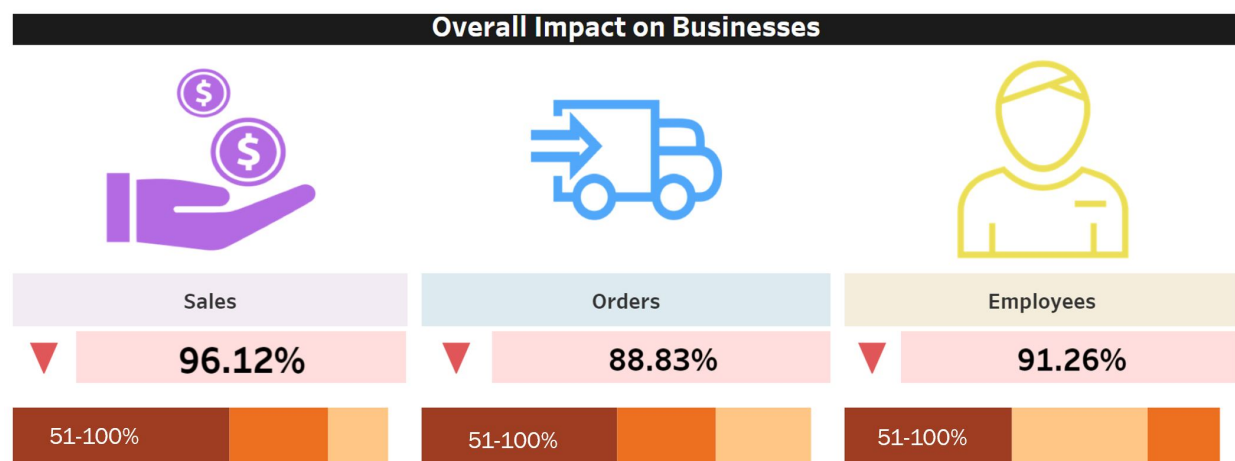
presentation of the results was made to key representatives from the business sector to validate the findings.

What did we find out?

1. Almost all businesses are negatively affected by the pandemic.

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Overall Impact of the Pandemic on Businesses in Tagbilaran City



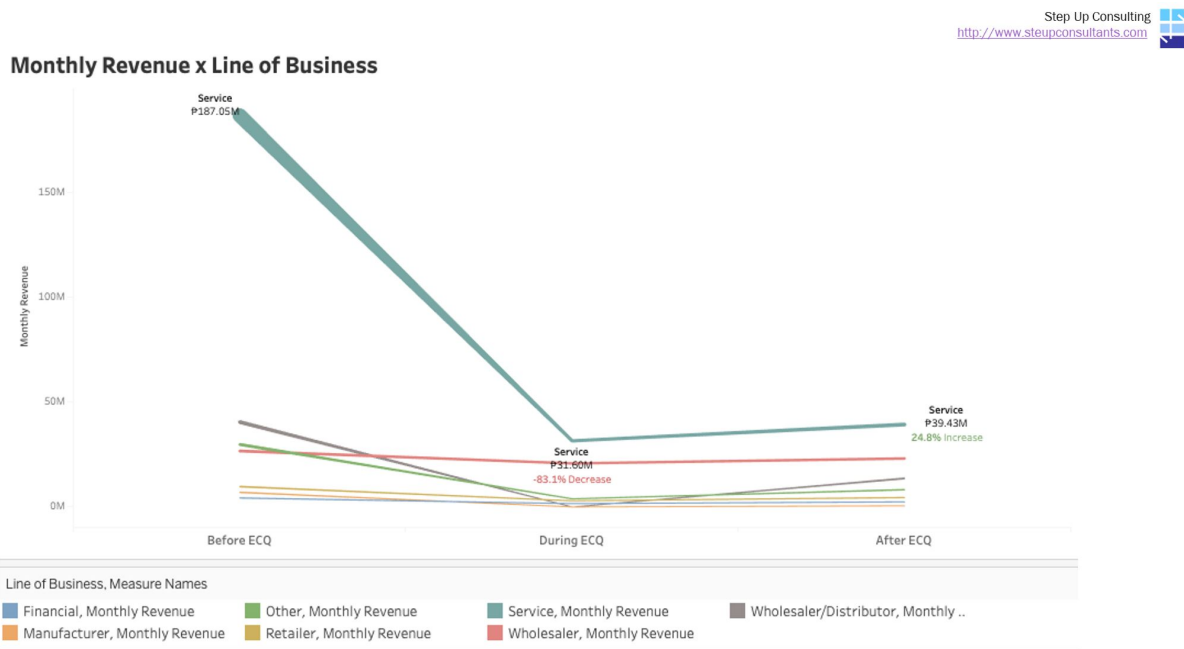
Almost all (96.12%) of the 206 businesses operating in Tagbilaran City that we surveyed reported a significant decrease in sales. The majority of them (57.58%) reported a decline in sales by 51-100%. This means that several businesses had no revenues especially during the enhanced community quarantine (ECQ), because of temporary business closure. This resulted in the temporary reduction of workers or employees. 91.26% of businesses surveyed reported a decrease in the number of workers by at least 25%.

The closure of businesses, those that were considered non-essential based on the provincial government guidelines, significantly impacted revenues, especially considering that close to three quarters of registered businesses belong to this category. For at least two months, these businesses remain closed, resulting in increasing day-to-day losses. The only recourse that businesses had was to

discontinue employment, even of its key personnel. This, in turn, significantly impacted the cash flow condition of businesses and decreased household consumption even of basic needs.

Almost 90% of businesses surveyed reported cash flow problems during the pandemic, alongside difficulties in receiving supplies on time and shipping goods to customers. The top three causes of these problems are the closure of businesses during the quarantine, customers unable to pay their accounts, and reduced logistics services.

2. The service sector is hit the hardest.



Among businesses, the service sector reported the worst decline in sales. Before the enhanced community quarantine (ECQ), the sector reported total sales of Php187.05 million. During the ECQ, sales dropped to Php31.60 million. The sector had not recovered from the drastic slump, even when general community quarantine (GCQ) was declared in the city. Among those whose revenues are least affected are those that are from the trading and manufacturing sectors, especially those that are producing (e.g., tableya manufacturing) or selling (e.g., grocery stores) essential goods. They were also the ones able to bounce back faster after the quarantine restrictions were lifted.

A closer analysis of the worst-hit businesses in the service sector would show that the majority of these are those that support the tourism sector. These include restaurants, hotels, coffee shops, ticketing offices, transport service providers, KTV bars, internet cafes, events organizers, photography

and videography services, rental services, beauty care, dive center, shipping companies, travel and tours, and tour guides, among others.

The suspension of flights to and from the island has drastically reduced the number of tourists, from which these businesses primarily rely on revenues. Since March 2015, flights and boat trips have been suspended. Several accommodation establishments remain closed, and only a few restaurants have started to open beginning in June 2020. It is quite apparent that several of the businesses reliant on external market are the ones badly hit.

3. Businesses initiated changes in human resource arrangements, marketing strategies, and finance practices to cope.

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Coping Mechanisms of Businesses



Businesses we surveyed made significant changes in work arrangements by temporarily reducing employees (3 out of 10 businesses) and laying-off some workers (1 out of 10 businesses). To protect liquidity, businesses also decreased or controlled expenses and negotiated payment terms with creditors. Interestingly, the pandemic pushed businesses to re-calibrate marketing strategies by increasing marketing efforts (25% of businesses) and developing new products or services (19%). Those with technical expertise resorted to online-selling during the lockdown.

Based on the analysis of results, we have seen at least three major strategies implemented by businesses anchored on three operational areas - human resources, marketing, and finance. But the

objective remained the same - to ensure that the business will have sufficient financial resources to continue operations and protect it from further losses.

a. Saving on human resource costs by implementing new work arrangements

Businesses retained core personnel and released workers with non-essential skills. For those workers who were retained, owners entered into new work arrangements, including reduced reporting hours, reduced number of workdays, and implementing multi-tasking procedures (e.g., service crew at restaurants also act as cashiers). This process continued even when restrictions were lifted as most businesses are still operating for less than capacity. Workers were invariably affected (as take-home pay was significantly reduced), but this is a better option than losing work.

b. Increasing sales through diversification and online selling

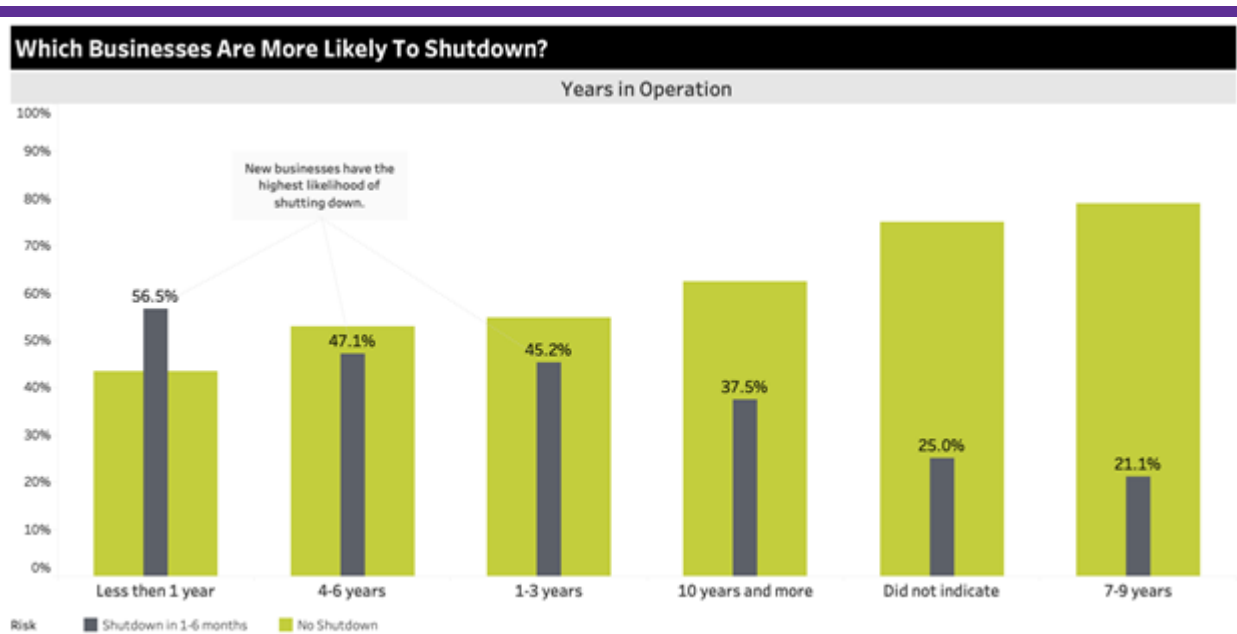
Several businesses resorted to formulating new product lines and intensifying marketing and promotions online. Restaurants developed new products for online selling, and hotels became quarantine facilities for returning residents. Medical clinics are offering online consultations, while beauty and wellness shops provide home services. Several strategies are intended to adapt revenue measures to the current restrictions brought about by the pandemic.

c. Protecting cash position from further bleeding

Finally, businesses are trying to take advantage of opportunities to reconfigure spending patterns to protect their liquidity. This included reconfiguring payment terms with suppliers and creditors and reducing expenses to the extent possible, without necessarily impacting on service and product quality.

4. Close to half of businesses are facing the risk of closure in the remaining months of 2020.

Of the 206 businesses we surveyed, 4 out of 10 businesses said that they would likely close in the next six months or less because of economic hardships experienced. Those that are operating for less than five years are most vulnerable. The longer the business is operating, the higher the likelihood that they will survive this crisis.



More established businesses, those that are operating for more than ten years, are less likely to close because of better financial position, stable debt-to-equity ratios, and higher liquidity. This is not necessarily true for new businesses. Also, more established businesses enjoy better customer patronage conditions, are likely to be better known, and have recognizable brand names.

Are Businesses With Non Bohol Customers More Likely To Close?



Businesses with 76-100% of their customers based *outside Bohol* have the highest possibility rate in terms of closing their businesses (73.1%) within the next 6 months.

of businesses with
0-25% customers
outside Bohol will close
in the next 6 months

of businesses with
26-50% customers
outside Bohol will close
in the next 6 months

of businesses with
51-75% customers
outside Bohol will close
in the next 6 months

of businesses with
76-100% customers
outside Bohol will close
in the next 6 months

Our survey also revealed that businesses that are primarily reliant on customers based outside of Bohol (e.g., tourists, external domestic and foreign buyers) face the greatest risk of closure. As earlier mentioned, inbound and outbound travel restrictions and difficulties in transporting goods from the province to outside customers are among their most significant challenges, even when mobility restrictions are lifted.

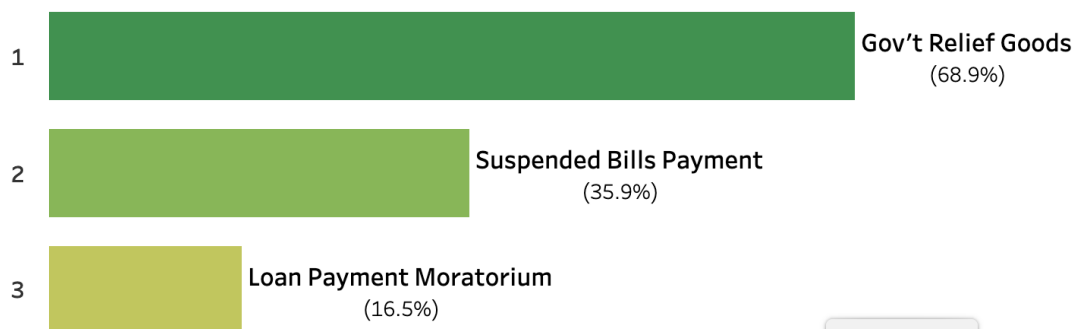
As regards sector, we found out that service providers and retailers are those that will likely close in the next six months as a result of the pandemic. Half of the service establishments we surveyed said that they face the risk of closure in the next six months. On the other hand, 46.7% of retailers and 44.4% of manufacturers surveyed expressed the same. What is alarming is that 28.6% of retailers and 11.4% of service establishments surveyed said that if the current business climate continues, they will be forced to close in a month or less.

This finding reinforces our earlier point that most of the businesses in the service sector are dependent on the tourism industry for survival. On the other hand, with depressed consumption of households due to declining household income brought about by job and income loss on households, retailers will also be badly hit.

5. Businesses received some form of assistance from the government during the crisis.

What Type of Assistance Did the Businesses Received?

Top 3 Received Assistance



Screenshot

The majority of the businesses received assistance from the government, particularly from the local government unit in the form of relief goods (69%). Other assistance that helped their liquidity position included the suspension in the payment of bills, i.e., utilities, etc (36%) and the moratorium in paying off loans (17%). However, no direct assistance for business continuity has been received so far by the respondents we interviewed, as of July 15, 2020, the time we closed our data collection process.

6. Majority of the businesses needed business development services to bounce back.

When asked what types of assistance businesses needed from the government during the pandemic, the business mentioned the following:

- a. How to prevent infections while maintaining business operations
- b. How to prepare a business continuity plan for their respective businesses.
- c. How to diversify products and sales channels
- d. How to conduct business online
- e. Legal advice on applicable labor regulations during this pandemic
- f. Advice on export and logistics restrictions during this crisis.

Based on interviews with key informants, preventing infections while maintaining business operations is their top priority. They are aware that any resurgence in cases will eventually lead to stricter measures that would hamper business operations. This is the top choice, especially for those with high customer contact operations, like in the case of service establishments, retailers, financial services providers. Across sectors, this concern is one of the top three priorities.

Across sectors, business continuity planning remains the second top priority (except for wholesalers where this is considered their top need). According to business owners we interviewed, this is essential because they are aware that based on projections, the pandemic and its impacts will be felt within the next two to three years. There is a need for businesses to reconfigure their business models to survive the health crisis and ensure continuity. This is also why one of their top three needs is to diversify products and sales channels, acknowledging that there is a need to adapt their operations to the changing consumption patterns and preferences brought about by the pandemic.

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What Business Development Services Are Needed by Enterprises During ..

1	Advice on how to prevent infections while maintaining business operations	
2	Advice with Business Continuity Planning	
3	Advise on Diversification of Products and Sales Channels	
4	Online Business Management Training	
5	Legal advice on application of labour regulations during crisis	
6	Advice on export and logistics restrictions and requirements	

TOP 3 Business Development Needs by Industry

Service			
Other			
Retailer			
Financial			
Wholesaler			
Manufacturer			
Wholesaler and/or Distributor			

7. Businesses prioritize health measures over and above other measures.

Business establishments we surveyed said that they needed tax waivers, low-interest credit lines, or credit guarantees. They also said they need temporary unemployment programs to help displaced workers.

However, when asked to choose from a list of health and financial measures, businesses value health measures more. This includes the supply of personal protective equipment (PPEs), information on the spread and transmission of the virus, and clarity in controlling the health crisis.

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What government programs were deemed 'TOP PRIORITY' by business..

- 1  Supplies of personal protection equipment like masks, thermometers, etc.
- 2  More information on transmission and spread of the virus
- 3  More clarity on official measures to contain the crisis
- 4  Access to cash short term finance
- 5  Deferring payments of utilities, social security contributions, loans, or taxes
- 6  Price controls on Critical Goods
- 7  Legal advice on application of labour laws and regulations during crisis
- 8  Extension of social protection for workers

Government Support by Length of Operations

	Less than 1 year	1-3 years	4-6 years	7-9 years	10 years and ..	Did not indicate
1						
2						
3						

Overall TOP 3 Government Priority Programs are COVID Related concerns.

Businesses that have been operating for less than a year needed 'financial support' the most.

However, closer scrutiny of the data would show that while this result is consistent across the different sectors, when the age of the business is factored in, those businesses that are three years old or less prioritizes access to cash for short-term financial needs. This corroborates earlier finding that "younger" business establishments have difficulty sustaining current operations that their needs are focused on in the immediate term. On the other hand, those businesses that are older and more stable are aware that without controlling the pandemic, the ability of several of them to go back to business and operate under a new normal will be difficult.

The responses of the business owners to the survey are set within a context. During the survey and the subsequent interviews, Tagbilaran City had an increase in the number of COVID-positive cases - from zero to eight in three days. The immediate measure was to lock-down certain areas where the cases are found. Business owners are aware that with an increase in the number of cases, the government's move would be to enforce stricter mobility restrictions.

What are the policy and programmatic implications of this research?

Based on the results of the research, there are at least five policy and programmatic implications put forward to the City Government of Tagbilaran. We discuss these briefly below:

- a. **Strengthening the health care system** has been the topmost concern of business owners. This will require at least three things - beefing up testing capacity, strengthening treatment capacity, and strengthening ability of frontliners to respond. The strategy to test, trace, isolate and treat will only work if testing capacity is increased and capacity of frontliners and health facilities will be improved. Capacity of health institutions in the city is found inadequate to respond to a surge even in dengue cases as experienced in the past four years. While this is not a problem of the city alone, there needs to be comprehensive planning process to deal with certain scenarios.
- b. **Upholding transparent communications** is also one of the top concerns of business owners. This means that government is honest and accurate in reporting on the virus more particularly on the number of people who were infected, the status of response efforts, and the strict implementation of health and economic measures.
- c. **Initiate measures to protect the most vulnerable sectors and businesses.** The research has shown that while the economic impacts of COVID-19 are felt by majority of the businesses, it impacts different businesses differently. The tourism sector is most affected. Younger businesses are badly hit. There has to be programmatic measures aimed at protecting the liquidity of those severely affected and helping them recover from the crisis. Business recovery programs need to consider helping those that are worst hit.
- d. **Gradually reactivate the local economy while being mindful of health restrictions.** There have been several initiatives to promote local consumption. This has to be coupled with efforts to transition to a low-touch economy, where transactions of buying and selling are done with minimal person-to-person interaction. One store in Tagbilaran, for example makes use of a contact tracing app to avoid the use of pen and paper and prevent transmission of the virus by using the same set of equipments. A city-wide (if not a province-wide) system that would prevent local transmission needs to be in place.
- e. **Stimulate investment that can create local jobs.** In several countries, the construction sector has been used to strengthen employment as well as domestic consumption. Public investments in building roads, bridges, public buildings, road maintenance, among others, do not only create jobs but also stimulate the local economy through forward and backward linkages.