

# Financial Sustainability of Small Sari-Sari Stores in the Philippines During COVID-19 Pandemic

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**Abstract:-** This study identified the financial sustainability of small sari-sari stores in the Philippines during COVID-19. 46 sari-sari stores with business permits have participated in the study. The results revealed that micro and small enterprises in the Philippines, like *sari-sari* stores, were adversely affected by COVID-19. In terms of the findings, financial challenges, strategies, and assistance and support were the top financial sustainability issues encountered by these small *sari-sari* stores, which were mainly attributed to the financial strategies being employed to attain financial sustainability. Majority of these *sari-sari* stores have not implemented specific measures to address the pandemic's financial impact. The rest of them have employed another way to earn income, sold COVID-19-related products, added capital, lessened the profit, saved, increased goods to sell, followed safety protocol, tried online selling, limiting the debt, and temporary closure while continuously improving financial stability and enabling *sari-sari* stores to better withstand future crises.

**Keywords:** COVID-19 Pandemic, Financial Sustainability, Sari-Sari Stores, Small-Medium Enterprises (SMEs).

## I. INTRODUCTION

COVID-19 pandemic resulted to numerous struggles for all kinds of businesses. It has presented significant challenges to businesses, leading to their struggle for survival due to reduced revenue, employee attrition, and unsuccessful marketing endeavors (Engidaw A.E., 2022). Because of this outbreak, many people shared worries about a looming recession and economic calamity that led to serious global socio-economic impacts. Numerous forms of small businesses were in danger of dying out.

COVID-19 has affected small and medium enterprises (World Bank Enterprise Surveys In 13 countries). Small business sales shrink faster and cash drains faster than large businesses in the same industry and country. The COVID-19 shock has had a bigger impact on smaller companies than larger companies. According to a McKinsey, et al. analysis, smaller businesses have been more negatively impacted by the COVID-19 shock than larger businesses. The reason, as per research, “smaller businesses are more dependent on bank funding and have less cash reserves, making them

more susceptible to economic shocks.” The reliance of many small firms on local suppliers, coupled with their limited cash reserves and relative inexperience with digital tools, made them particularly susceptible to the COVID-19-induced economic downturn, while larger companies with broader reach and greater financial resources were better equipped to adapt.

The government shutting down non-essential businesses during COVID was a big blow to small businesses. Many couldn't handle the rent piling up and their savings dwindling, so they had no choice but to close. This left them financially vulnerable (Petropoulos, 2020). In the Philippines, the economy started to experience massive economic losses when combined with funding constraints on businesses (ADB 2020c, 2020d). The funding constraints on businesses during the lockdown have made it difficult for small businesses to continue operating. Many small businesses have been forced to close down due to lack of funds and resources. The government has implemented various measures to help businesses during this time, including providing financial assistance and tax relief. In the initial 45 days of the COVID-19 pandemic, the Philippine economy experienced significant contraction, with an estimated P1.1 trillion in losses across manufacturing, agriculture, and services sectors (National Economic and Development Authority, 2023).

One of the primary structures of the country's economy, which ranges 89.53%, is Micro Small and Medium-Sized businesses (MSMEs), but they are more likely susceptible to external shocks like financial crises, natural disasters, and compelled changes in the business environment, like the COVID-19 pandemic. *Sari-sari* stores, being one of the smallest business units in the Philippines, are not exempted from these.

*Sari-sari* stores are well-known because it is a small neighborhood retail shop that caters to members of that community. The store usually carries different basic goods that Filipinos purchase on a daily basis. The name comes from the Filipino term for “sari” meaning variety. Every *sari-sari* store you visit may offer similar products, but the number of products they carry always vary. One of the best features about the *sari-sari* store is the ability of the Filipino people to buy things in *tingi* or per piece (Primer Media Inc., 2016). Per piece further means smaller quantity

or single use or small size packaging. This is one of the reasons why the Philippines is considered a “sachet economy” because of the presence of many Sari-sari stores.

Micro and small enterprises in the Philippines, like *sari-sari* stores, were adversely affected by COVID-19 and its full financial impact is becoming clear. However, little is known about the challenges, responses and strategies they have employed to survive during the COVID-19 Pandemic. Are they really financially sustainable? Thus, the study's primary objective is to describe the financial sustainability of the *sari-sari* stores by aiming to answer the following questions: (1) What were the specific financial problems and challenges encountered by the *sari-sari* stores during the COVID-19 pandemic? (2) What are the financial strategies used by the *sari-sari* stores to counter these challenges during the COVID-19 pandemic? And (3) What kinds of assistance or support do small *sari-sari* store owners envision for their businesses?

## II. METHODOLOGY

To discover the financial sustainability of the *sari-sari* stores in the Philippines during COVID-19 pandemic, the researcher employed a census. To collect the data, a descriptive research design was used to gather information necessary to address the objectives of the study. The locale of the study is Santo Domingo, Nueva Ecija. The researcher

obtained the list of businesses from the Business Permit and Licensing Office (BPLO) Santo Domingo, Nueva Ecija. From there, all 46 *sari-sari* stores with business permits have participated in the study. Information was gathered through interviews and questionnaires that were designed, developed, and validated (Gabay, 2022). Following ethical research guidelines, formal permission was obtained from the small *sari-sari* store owners through written informed consent forms. The researchers emphasized the survey's potential to contribute valuable insights into the experiences and challenges faced by small *sari-sari* store owners during the pandemic, informing future support initiatives and policy decisions.

## III. RESULTS AND DISCUSSION

### ➤ *Financial Challenges*

The financial challenges that the *sari-sari* stores faced during the COVID-19 pandemic were described in the study. The *Sari-sari* stores owners were asked to provide three major financial challenges they have encountered. These provide a comprehensive understanding of the factors that influence the *Sari-sari* stores ability to survive and thrive financially. By highlighting the challenges faced by these small businesses, insights are gained into the obstacles *Sari-sari* stores encounter and the risks they navigate daily.

Table 1 Frequency and Percentages of Financial Problems Encountered by Small Sari-Sari Stores

Financial Problems Encountered	Frequency	Percentage (%)
A. Decrease in Sales	27	31.51
B. Few buyers	20	27.4
C. Shortage of Supplies	6	8.22
D. Temporary Closure	6	8.22
E. Shut Down	5	6.85
F. Increased Receivables	2	2.74
G. Loss of Fund	2	2.74
H. Loans	2	2.74

Table 1 shows the financial problems encountered by *sari-sari* stores in the Philippines during the COVID-19 pandemic. The most common issues included a decrease in sales (31.51%) and the presence of few buyers (27.4%), which impacted their revenue. Additionally, there were challenges related to shortages of supplies (8.22%) and the need for temporary closures (8.22%) or complete shutdowns (6.85%). Some stores had to deal with issues such as pending receivables (2.74%), loss of funds (2.74%), and resorting to loans to survive during the pandemic (2.74%). Overall, the table highlights the range of financial difficulties faced by *sari-sari* stores in the Philippines during the COVID-19 pandemic, offering valuable insights into the

impact on these small businesses and their ability to sustain operations during challenging times.

### ➤ *Financial Strategies*

Financial strategies can be in the shape of practices, initiatives, action plans, or other techniques that are used in an institution's financial operations. In order to overcome their financial difficulties during the COVID-19 Pandemic, the *sari-sari* stores used certain financial strategies, which were uncovered in this study.

Table 2 Financial strategies used by the sari-sari stores

Strategies used	Frequency	Percentage (%)
A. No strategy used	13	22.81
B. Searched for another way to earn income	11	19.30
C. Shifted selling COVID-19-related products (masks, alcohol)	9	15.79
D. Adding Puhunan (Capital) to the store	6	10.53
E. Lessen the Profit	6	10.53
F. Saving	4	7.02
G. Increased of Goods to Sell	3	5.26
H. Followed Safety Protocol	3	5.26
I. Online Selling	2	3.51
J. Debt Limit	1	1.75
K. Temporary Closure	1	1.75

The table provides the frequency and corresponding percentage of financial strategies used by the Sari-sari stores. The most common strategy observed was "No strategy used" (22.81%), indicating a significant proportion of store owners who may not have implemented specific measures to address the pandemic's financial impact followed by "Searched for another way to earn income" (19.30%), showing that many store owners looked for alternative sources of income to either sustain their businesses. Shifted selling COVID-19 related products (masks, alcohol) (15.79%) emerged as another frequently adopted strategy, indicating the adaptability of sari-sari store owners in responding to the changing consumer demands during the pandemic. Other strategies, such as Adding capital lessening the profit (both for 10.53%) were employed by a smaller proportion of store owners in an attempt to bolster financial resources and maintain viability during uncertain times. Some store owners opted for saving (7.02) as a strategy to build financial reserves while increasing goods to sell and following safety protocol both accounted for 5.26% highlighted the efforts to expand

product offerings and prioritize customer safety. A smaller proportion of store owners ventured into online sales (3.51%) to reach customers during lockdowns. Moreover, debt limit and temporary closure (1.75% each) had been incorporated to either impose a debt limit to customers or temporarily close their businesses to mitigate financial risks.

The results indicate the potential vulnerabilities of certain sari-sari stores especially when they chose to not employ any strategies at all and went business as usual. Also, the adoption of various strategies illustrates the resourcefulness and adaptability of sari-sari store owners during COVID-19 Pandemic. Furthermore, encouraging strategies like "increased in capital" and "lessen the profit" when appropriate could improve financial stability and enable sari-sari stores to better withstand future crises.

➤ *Assistance or Support needed by the Sari-sari store owners*

The table below shows the assistance or support that sari-sari store owners envision for their businesses.

Table 3 Frequency and Percentages of Possible Assistance for these Small Sari-Sari Stores

Assistance	Frequency	Percentage
A. Financial Assistance	34	77.27
B. Additional Capital	13	29.55%
E. Loans with Small Interest	4	9.09%
F. End Borrowing	1	2.27%
G. Insurance	1	2.27%

The table shows the responses of Sari-sari store owners with financial assistance (77.27%) as the most frequent answer they have given indicating that these owners expressed their need for financial support to the financial challenges they have encountered in COVID-19. This can be also linked to additional capital that accounts to 29.55%. This indicates that Sari-sari stores need external financial aid for their business. Loan with small interest (9.09%) signifies that in case that they will obtain loans from other sources, they wish to incur inexpensive interest. On the other hand, end borrowing and insurance accounts to 2.27%.

#### IV. CONCLUSION

In conclusion, the COVID-19 Pandemic left the Sari-sari stores in the Philippines vulnerable to financial and economic shocks. However, most of these Sari-sari stores remained financially sustainable. These Sari-sari stores were faced by several financial challenges such as decreased sales, few buyers, shortage of supplies, temporary closures, and shutdowns. In turn, these financial challenges showed the necessity for financial strategies being employed to attain financial sustainability. Different financial strategies were employed like searching for alternative sources of income, shifting to selling COVID-19 related products, increasing capital, lessening profit margins, saving, and exploring online selling. However, a large proportion of Sari-sari stores did not employ any specific financial strategies, indicating potential vulnerabilities in their financial sustainability and may underpin the necessity for a tailored-support like financial literacy programs to enhance their understanding towards financial sustainability. Moreover, most of the Sari-sari stores sought support to overcome their financial challenges and to complement some financial strategies they have used through financial assistance and additional capital towards financial sustainability. Financial Sustainability is a process itself (Gabay, 2022). Hence, Sari-sari stores must continuously adapt and implement varied and effective financial strategies to navigate through challenging times.

#### RECOMMENDATION

- Implement specialized financial literacy workshops aimed at sari-sari business owners in order to increase their grasp of financial management and sustainability. According to research, better financial literacy has a positive impact on small business owners' decision-making and financial habits (Mwaura, Gichure, Makokha, 2022).
- Encourage Sari-Sari Store Owners to investigate and vary Income Sources: Encourage sari-sari store owners to investigate and vary their income sources by offering new items and services. Diversification has been shown in studies to improve the resilience of small enterprises during economic downturns (Adian et al., 2020).
- Facilitate Access to Low-Interest Loans: Work with financial institutions to give sari-sari store owners with low-interest loans when they are in financial hardship. According to research, affordable loan facilities can greatly assist small enterprises in weathering economic

crises (Nicola et al., 2020).

- Help Sari-Sari retailers Adopt Digital Tools and Technologies: Assist sari-sari retailers in embracing digital tools and technologies to boost efficiency and reach new customers. According to research, digitization can boost the competitiveness and adaptability of small enterprises (Vitug, 2021).
- Targeted Financial support: The government and relevant agencies should continue to provide targeted financial support programs designed exclusively for small sari-sari stores. Evidence suggests that direct financial aid can be critical in assisting small firms during times of crisis (Engidaw, 2022).
- Facilitate opportunities for sari-sari business owners to communicate and exchange best practices to foster collaboration and networking. Opportunities for networking can help them learn from one another and identify innovative solutions to shared problems (Shinozaki, Rao, 2021).
- Encourage the Culture of Savings: Emphasize the need of savings among sari-sari business owners. According to studies, having appropriate financial reserves can act as a cushion against economic shocks (Amiran Maglakelidze & Erkomaishvili, 2021).

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