

CRY FROM WITHIN: THE LIVED EXPERIENCES OF SME OWNERS DURING THE COVID-19 PANDEMIC

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Abstract

The COVID-19 pandemic has widely diverse effects on businesses worldwide, particularly Small and Medium Enterprises (SMEs) that began with debt and continue to operate with debt. Before the outbreak, SMEs have already difficulties managing their existing debts. Hence, this study was designed to identify the debt management strategies of SMEs during the COVID-19 pandemic. Qualitative-narratology research design was employed. In order to gather data, the researchers utilized semi-structured, in-depth interview to a sample of 10 SMEs owners from Santiago City selected through purposive sampling. The gathered data were analyzed through NVivo. It was found out that due to indebtedness, SMEs experienced business shutdown, resorted to informal money lenders, insolvency, unsettled loans and repetitive borrowing while their coping mechanisms towards indebtedness were personal saving scheme, debt-settlement budget allocation, putting eggs in other baskets and responsibility and accountability. It was also found out that frugality, financial planning, working capital management and business liquidity management were their debt management strategies. While the factors attributing to these strategies were effective cash reserve handling, conservative credit management and discipline. The study recommends SMEs to restructure their budget, control their cash flow, maintain cash reserves and opt for debt consolidation loan.

Keywords: Small and Medium Enterprises (SMEs), Debt, Debt Management, Debt Management Strategies, CoViD-19 pandemic.

1. INTRODUCTION

The first official cases of COVID-19 were reported to the World Health Organization (WHO) on December 31, 2019, in Wuhan, China. On January 7, 2020, Chinese authorities identified a novel coronavirus, temporally named 2019-nCoV, as a respiratory illness in humans and was eventually named COVID-19. A few weeks later, the WHO declared the rapidly spreading COVID-19 outbreak a Public Health Emergency of International Concern. On March 11th, 2020, the WHO declared the COVID-19 pandemic several weeks later. Almost abruptly, COVID-19 went from being a terrible disease that seemed to be restricted to China to a worldwide health disaster (Moore, 2021).

On January 30, 2020, the first case of Covid-19 in the Philippines was confirmed. Later, the authorities declared Enhanced Community Quarantine all over the country due to its threat to the public's health (DOH, 2020). The economic and social upheaval poses an even greater long-term risk to the livelihoods and well-being of millions of people, in addition to the danger and threat to public health. The pandemic has had far-reaching effects on the labor market, the economy, and businesses worldwide, disrupting supply chains globally.

The worldwide health crisis has widely diverse effects on businesses around the world. Small and Medium Enterprises (SMEs) had the most difficulties for several reasons (DTI, 2022). Some of these small businesses started up their businesses through debts and continued their operation with the aid of debts. According to Chen (2022), debt is an obligation owed by one party, often in the form of money. Numerous organizations and people borrow money to finance significant expenditures they could not otherwise afford. A debt arrangement is a legally enforceable agreement that allows the debtor to borrow money on the condition that the loan will be repaid at the specified date, often with interest.

There is no definitive rule dictating whether business debts are beneficial or detrimental. However, incurring debt helps purchase expensive, desirable products. According to Smith (2021), there are "Good Debt" and "Bad Debt" categories of debt. Good debt purchases assets that create income and increase net value. On the other hand, it is bad debt if the borrowed funds are used to acquire something whose worth depreciates rapidly.

Before the pandemic, small businesses are already having a hard time managing their existing debts and then worsened by the global health crisis. According to Asian Peoples' Movement on Debt and Development (2020), between 2019 and 2020, it is anticipated that the level of public debt would climb from 34.1 to 48 percent of GDP. With the difficulties managing the existing debts before pandemic

and additional debts during the pandemic, small businesses are facing difficulties in managing their finances. As aid, small businesses see that in order to continue operations, borrowing money is the solution - this is a rising concern if it is not adequately controlled. This is why entrepreneurs must understand debt management since it is not just about lowering debt but also about managing it intelligently.

Historically, the concept of debt management has centered on lowering the interest cost of borrowing, maintaining short-term interest rates established by monetary policymakers, or facilitating capital markets by providing enough quantities of risk-free assets and liquidity at important maturities (Missale, 1999). However, these practical concerns do not always have easy theoretical backing (Nosbusch, 2008), demonstrating that cost reduction and optimum fiscal policy may be irreconcilable.

According to Ansong (2021), most business people start their businesses with their savings or by selling family property, while some seek money from family and friends before seeking external capital. Regarding debt management strategies, it became evident that most small company owners reinvest profits to repay loans, stick to current ratio agreements negotiated with banks, and prevent short-term loans from being utilized for long-term projects. Insufficient sales income, unfair trade practices, dumped Chinese three products, and the desire to utilize company loans to buy capital items were all barriers to debt management strategies. According to Health (2021), In order to reduce debt, debt management employs financial planning and budgeting. The objective of a debt management strategy is to apply these tactics to help reduce current debt and ultimately eliminate it.

Hence, this study aimed to identify the debt management strategies of Small and Medium Enterprises (SMEs) during the COVID-19 pandemic in Santiago City to contribute to existing small businesses, business owners/managers, employee, newly established small businesses and individuals planning to establish small business and future researchers. The researchers also aimed to explore and understand the experiences of SMEs in debt management, their coping mechanisms toward indebtedness and factors attributing to their debt management strategies.

2. RESEARCH METHODOLOGY

This research study is classified as qualitative research. This study employed qualitative assessment using interview, a qualitative research data collection tool. Qualitative research entails the collection and analysis of nonnumerical data (e.g., text, video, or audio) in order to better understands thoughts, views, or experiences. It may be used to get in-depth understanding of a subject or to develops new research ideas (Bhandari, 2020).

Particularly, this study utilized narratology where in the researchers identify the debt management strategies of Small and Medium Enterprises to describe and interpret participants' experiences on debt management strategies during COVID-19 pandemic. Narratology aims to explore and comprehend human experience as it is represented in textual form, (Josselson, 2010).

The participants of this study were the owners of SMEs in Santiago City, Isabela. The researchers used the purposive sampling technique since owners of the SMEs were needed in our sample. The number of SMEs owners in Santiago City, Isabela that were selected for this study was 10.

This research study was carried out in Santiago City particularly in Barangay Centro East which is close to the población, where the majority of Small and Medium Enterprises were situated. Also in Barangay Buenavista, Centro West, Patul and Dubinan West where the participants who agreed to be interviewed were located.

The researchers utilized semi-structured, in-depth interview as their instrument in gathering data. According to Scanlan (2020), in semi-structured, in-depth interviews, the interviewee is encouraged to speak freely on predetermined topics. By asking probing follow-up questions, the interviewer may explore in-depth information on areas of interest in order to get a deeper understanding of any subject.

The researchers created interview guide questions having both English and Filipino translation in accordance with the research questions that would be included in the appendices. The questions were quite flexible and adaptable, allowing the researchers to get more insight into the research problems. Prior to the actual face-to-face interview, the guide questions were validated by an expert in order to ensure its relevance and terminologies. The interviews were conducted through the local dialect, Tagalog to make the interview process easier for the participants who prefer the local language. The researchers used voice recorder in cellphone to record the conversation for decoding purposes.

The researchers presented a letter of approval to ask permission to conduct a research study in Santiago City, Isabela. Selected SMEs' owners from Santiago City communicated initially with a letter of permission to conduct face-to-face interview and explained that the researchers will interview the participants three times asking the same questions to ensure the consistency of their responses. After the selected participants agreed to take part, the researchers scheduled the interview based on the most convenient schedules of the participants. The participation of participants were entirely voluntary, and the researchers secured written agreement from all participants.

Upon the conduct scheduled interview, the researchers informed the participants the general and definite objectives of the study. The gathered data were transcribed, analyzed and interpreted.

The gathered data were transcribed and thematic analysis approach was used to identify, analyze and report repeated patterns from transcribed data through NVivo, computer-assisted qualitative analysis software. NVivo grouped the responses to each interview guide questions in accordance to the research questions, found and catalogued themes to make sense of the data, developed list of codes and moved toward analytical insight.

3. RESULTS AND DISCUSSION

A. Experiences of SME'S on Debt Management

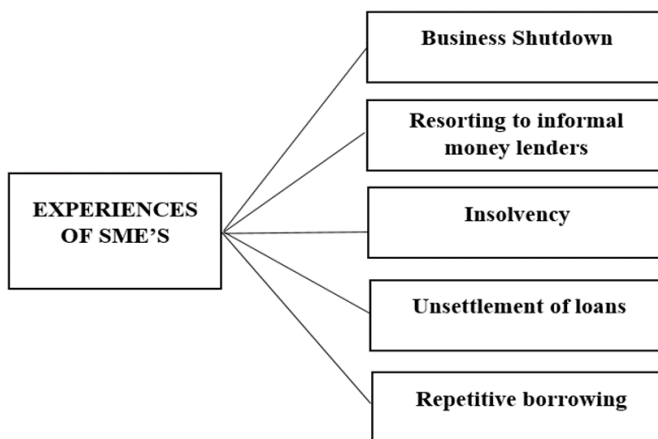


Figure 1. Concept Map on the Experiences of SMEs on Debt Management during COVID-19 Pandemic

THEME 1: Experiences of SME's

The experiences of the SME's during the covid-19 Pandemic were tough. Much before the COVID-19 pandemic, small businesses were already having a hard time managing their current debts, and the global health crisis only made the situation even more difficult.

SUBTHEME 1: Business Shutdown

The economic impact of coronavirus 2019 (COVID-19) on small businesses shed light the result on both the financial fragility of many small businesses, and the

significant impact COVID-19 had on these businesses. The only option of the SMEs is to close their businesses. Participants shared that:

“My business stopped, and I chose to work.”

“Due to the pandemic, the business closed and the capital that we were able to use on a daily basis is over. Then I opened again but was still at a loss since there wasn't much to eat, no school, no students as well as employees were gone.”

“Due to the pandemic, the business closed and the capital that we were able to use on a daily basis is over. Then I opened again but was still at a loss since there wasn't much to eat, no school, no students as well as employees were gone.”

The COVID-19 pandemic has caused major economic shock. According to the study of Bartik *et al.* (2020) on the impact of COVID-19 to small business, 43% of businesses in the whole sample had temporarily closed, and roughly all of these closures were caused by COVID-19. The majority of respondents whose businesses had temporarily closed cited decreases in demand and employee health concerns as the reasons for their closure, with supply chain interruptions playing a lesser role.

SUBTHEME 2: Resorting to informal lenders

Informal finance is the only recourse for the business owners to be able to pay their existing debts and maintain business function during the COVID-19 Pandemic. Since the formal sectors stopped their operations during the Pandemic and the informal lenders took advantage. Participants shared that:

“We couldn't really pay, it was stopped. What we did is that we borrowed money from my sibling and used it to pay our loan in the bank. Our debts from my sibling have no interest and due date and until now we are paying.”

“Ahh...that's double the effort and then I saved too much, but I was still really short so when the pandemic happened I had no choice I just borrowed from my friends, family so I wouldn't end up having a bad record to the lenders.”

According to Hanedar *et al.* (2014), many studies consider informal credit is the last recourse for credit-rationed borrowers. This form of loan is beneficial to borrowers owing to the lower or nonexistent interest rates associated with loans from family/friends. Additionally, business avoids formal credit due to the perceived difficulty of the application procedure; it turns to the owner's family and friends as well as private money lenders. When the interest rate is seen to be too high, the business favors trade credit and loans from the owner's family and friends, (Nguyen *et al.*, 2020).

SUBTHEME 3: Insolvency

In times of financial difficulties such as the present COVID-19 crisis, this renders small businesses especially exposed to the possibility of financial insolvency. Unable to pay debts owing to the detrimental effects the pandemic has on the economy. Participants shared that:

“The income is not enough for debt payment.”

“We skipped payment especially when the business is sluggish.”

According to Kaya (2022), during the COVID-19 pandemic, the average risk of insolvency of SMEs increased approximately 21%. During this time period, the insolvency risk of SMEs was exacerbated by difficulties in acquiring customers, rising production and labor costs, and declining access to capital. SMEs faced a major decline in demand for their goods and services owing to nationwide lockdowns and changes in consumer behavior. Despite a significant decline in sales, SMEs financial obligations remained.

SUBTHEME 4: Unsettlement of loans

The COVID-19 pandemic has been a large shock to economies and financial systems around the world. At the same time, governments around the world implemented substantial measures to support households and firms, including measures designed to facilitate the provision of bank credit. Participants shared that:

“During the pandemic, the bank where I loaned stopped collecting debts.”

“The lenders are nice; they didn't force us to pay debts during the pandemic.”

According to Agcaoili (2022), Under the Bayanihan Heal as One Act, all lenders subject to the supervision of the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the Cooperative Development Authority, including the Government Service Insurance System (GSIS) and Pag-IBIG, are required to implement a 30-day grace period for all loans with principal and/or interest falling due within the ECQ period, without incurring interest on interest, penalties, fees, and other charges.

SUBTHEME 5: Repetitive borrowing

During the covid-19 Pandemic, many of those SMEs were hard to recover from the negative impact of the crisis that result to repetitive borrowing. Taking out a new loan with either the same or a different lender by drawing down further funds to 'top

up' an outstanding loan with an existing lender, and rolling over an outstanding loan with an existing lender. A participant shared that:

“In the end, I borrow again to other lenders.”

“But if I have nothing, I borrow again.”

According to Boiwa (2014), the major reasons for multiple borrowing were insufficient loans from Micro Finance Institutions, loan recycling and family obligation. Business owners have problems in loan repayment because of multiple pending loans.

B. Coping Mechanism of SMEs towards Indebtedness

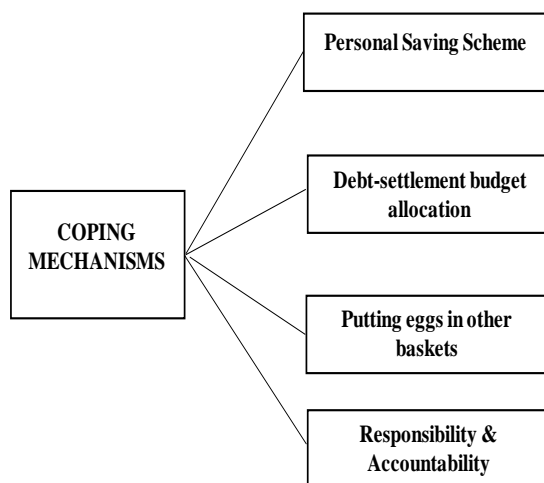


Figure 2. Coping Mechanisms of SMEs towards Indebtedness

THEME 2: COPING MECHANISMS

Despite the tough experiences of SMEs during the pandemic, they have various coping mechanisms that they utilized in order to stay afloat and overcome the challenges brought by the pandemic.

SUBTHEME 1: Personal Saving Scheme

Saving money is essential to attaining both short-term and long-term financial objectives, such as establishing an emergency fund, saving for the business or putting aside money toward debt payment. Participants shared that:

“Well, we really saved a lot, we cut down on other unnecessary expenses, we were really tight on money.”

"I saved up, as in being too frugal I reduced everything I spend like needs over wants like that."

"Ahhh....what I did was save, save on the budget."

According to Vereckey (2021), in the early months of the pandemic, COVID-19 had a significant effect on small businesses and their owners. In March 2020, both the income of small businesses and the personal spending of its owners decreased by around 40% compared to March of the previous year. Even owners whose businesses did not see major income declines reduced their personal expenditures. Additionally, according to Chauhan (2021), the outbreak of COVID-19 has taught many people the necessity of savings. When the pandemic began, individuals began to lose jobs and businesses started to shut down, many realized they had very little emergency funds. This is precisely what an emergency fund is: a reserve of funds for situations such as these. In times of uncertainty, the emergency fund may be an invaluable financial resource for the business such for debt payment.

SUBTHEME 2: Debt-Settlement Budget Allocation

Budgeting is a crucial process, particularly for small businesses, since it enables owners to estimate and allocate funds for various business activities such paying off a debt or purchasing new equipment or putting aside marketing expenses. Participants shared that:

"In terms of paying off debt, it is essential to have budget for it, debt payment should be already kept aside."

"What I did is, I immediately set aside the payment for the debt before I could buy necessities at home."

"Then on my income, I separate a budget for paying off debt."

According to Gravier (2022), in general, a good rule of thumb is to pay as much extra each month over the minimum payment as you can. It may seem apparent, but paying more than the minimum is a smart practice if you have additional income. Following the 50/30/20 budget technique can be guide in coping up towards indebtedness. The 50/30/20 budget method divides expenditure into three groups. It advises spending up to 50% of your monthly after-tax income (net income) on necessities including housing, utilities, food, and transportation. 30% goes to "wants" (eating out, vacations, etc.) and 20% to financial goals like paying off debt or investing for the future.

SUBTHEME 3: Putting eggs in other baskets

Putting eggs in other baskets is a piece of advice that individuals such as small business owners should not devote all their efforts and resources to a single endeavor, since they risk losing everything. With this, individuals can have other source of income which can help them pay off debts and sustain business operations. Participants shared that:

“We created new projects for us to have other sources of income like selling customized face masks and other printed t-shirts. We stopped creating sportswear since there is no league and games during the pandemic.”

“Since it is pandemic, I posted my products to social media to have sales. Sometimes I post on Facebook or I offer it to my friends and they help me post or share it with their other friends.”

Business diversifying and generating extra income can lead to having more cash on hand which means it is faster to pay off business debt and pay down any lingering loans. According to Tuovila (2022), Diversification is as business strategy involving the expansion of a certain business area. It might entail businesses generating new goods or services for their current clientele, for a comparable market, or for a totally other customer. Diversification is one of the most successful strategies to achieve long-term stability and development, despite the obstacles it may provide.

SUBTHEME 4: Responsibility and Accountability

Debt is a legal obligation, when in agreement to a borrow money; it is a responsibility to meet the debts by repaying the loan according to the contract and to be accountable to the indebtedness of the business. Financial debt responsible and accountable to prevent unsustainable situations. Responsibility and accountability act as a discipline device to handle indebtedness. Participants shared that:

“The money I loaned was used up in my business. I tried my best to be a good payer so I didn’t skip any payment.”

“We skip when the payment is not enough, we ask for consideration, we talked to them nicely and tried our best to really pay to the given consideration time to pay.”

According to Smith (2021), to be financially responsible and accountable, one must live with in his means. To live with one’s means, one must spend less than one’s income. Examine your financial status closely, assess your income and spending patterns, and make the necessary modifications to place yourself on a sound financial basis in order to pay off your debts and sustain the operations of your businesses.

C. DEBT MANAGEMENT STRATEGIES OF SMEs

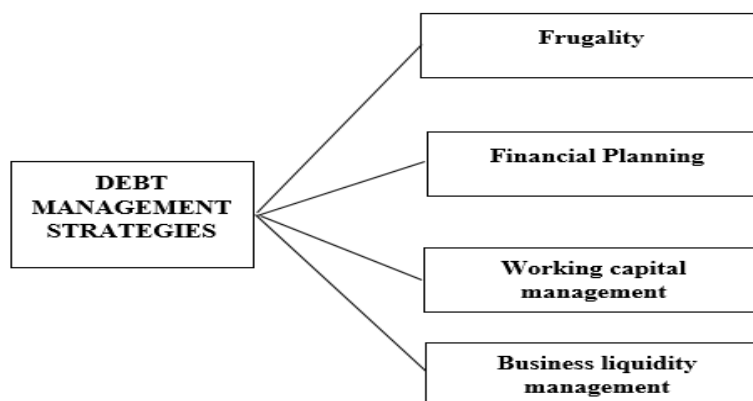


Figure 3. Debt management strategies of SMEs during Covid-19 pandemic

THEME 3: DEBT MANAGEMENT STRATEGIES

In order to handle business debts with relative ease, debt management strategies are needed. These strategies will structure business finances in such a way that in not only pays attention to debts but also makes sure that day-to-day needs of the business are met and prevents business from taking out any additional loans. Aside from coping mechanisms towards handling indebtedness, debt management strategies play vital role in the operation of SMEs.

SUBTHEME 1: Frugality

Frugality refers to spending less money than usual. Living frugally does not entail restricting one's lifestyle and cutting down on necessary expenses. Instead, it refers to carefully budgeting and spending one's hard-earned cash such that every cent is put towards a specified purpose and objective and no resources are wasted. In terms of managing debts, frugality ensures an effective system of cost control which leads to less dependency to debts and lead to effective allocation of funds such as budget on paying off debts and budget for other expenses. Participants shared that:

"I really became frugal just to have budget on paying off debts."

"It's just like tightening the belt, I really pushed frugal living."

"We really need to save just as a tightened belt. It's just at home that you can adjust, we need to be frugal as they say if the blanket is small learn to bend. The food that my children eat was delicious before, but now it's different. We really need to adjust."

According to Pangestu (2022), making a budget and keeping to a debt repayment plan is one of the keys to financial stability and debt reduction is learning how to live frugally. Contrary to popular belief, frugality does not include squeezing pennies or depriving yourself of things that offer you pleasure. Living frugally is not about living as cheaply as possible. Rather, it is about making decisions that enable individuals such as business owners to save money so that they may pay off their debt quicker and enjoy small and large rewards.

SUBTHEME 2: Financial Planning

A financial plan is the most essential need for a small business. It serves as a roadmap, a guide, and a reminder of their short-term and long-term objectives. It describes their potential expenses and aims to identify ways to control them. In terms of managing debts, financial planning helps to pay off debt and save for a mortgage or an emergency fund. Participants shared that:

“As for handling, we just put aside a budget for loan payment every day. Also, if ever the money is in a single bank account, you will also have the same source of spending. When we order stocks from different suppliers at the same time or when there is an emergency like repairs or need for maintenance of air conditioner and refrigerator. That’s why our funds for savings, business expenses and for paying off debts are separated.”

“If I have income, I plan if how I will budget. There is for savings, other expenses and budget to pay off debts.”

“In order to be a good debtor, I set aside immediately my payment for my debt, that's all I did.”

According to Neves (2019), financial planning guarantees that businesses are prepared in advance to adapt to changing personal and business conditions. Business’ income might fluctuate from time to time. There might periods of high cash flow and periods of low. With such occurrences, it is possible that the business may have a cash shortage if it is not properly handled. Financial planning leads to separating income where in business owners divide income for various needs such as salary of employees, for the business, for investments and for paying off debts.

SUBTHEME 3: Working Capital Management

Working capital management is a business strategy that ensures a firm works effectively by monitoring and optimizing the use of its current assets and liabilities.

This also help SMEs to better their operations, pay employees and secure finances for various expenses of their business such as paying off debts. Participants shared that:

"We have set goals that the day-to-day operations of the business must always be filled by managing capital because through this we know what is the priority of allocating funds, whether it is for the purchase of supplies, other expenses in business and most importantly paying off debt on time so that it will not go along with other expenses."

"Ahh. With the capital I have, the only thing I will spend there is what I will spend depending on what I sell in a day. When I am done selling, I will return what I used in capital. Then I will make a list of the necessary ingredients and that's all I will buy. Then what is left from the income will be saved and set aside to pay off the debt. So that when the payment date is coming, I can pay on time."

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SUBTHEME 4: Business Liquidity Management

Liquidity management should be a priority for all businesses. It gives a clear indication of financial health, and it provides visibility into how well a company can afford its current and future debts, short-term investments, obligations, and spend with its liquid cash and assets at hand. Participants shared that:

"Ahm..at the height of the pandemic, expenses were really reduced, before I am able to buy personal wants because the money kept coming in, when the pandemic came, I really cut expenses, that's all you need, especially on the supplies needed and the payment of debt."

"What we did is we carefully check what products or supplies are needed and can be sold. So, we can sell them immediately. The capital will be returned immediately and there will be income immediately. And if there is income, something can be saved to pay off the debt."

Liquidity management helps businesses to be liquid which means having sufficient funds for normal operational expenditures as well as a backup for

unanticipated situations. According to Hayes (2022), liquidity refers to a company's ability to pay short-term obligations and debts, as well as its capacity to immediately sell assets for cash. This implies that managing the liquidity is a great help in managing debts through reducing expenses and managing inventory properly, (Bock, 2022).

D. FACTORS ATTRIBUTING TO THE DEBT MANAGEMENT STRATEGIES OF SMEs

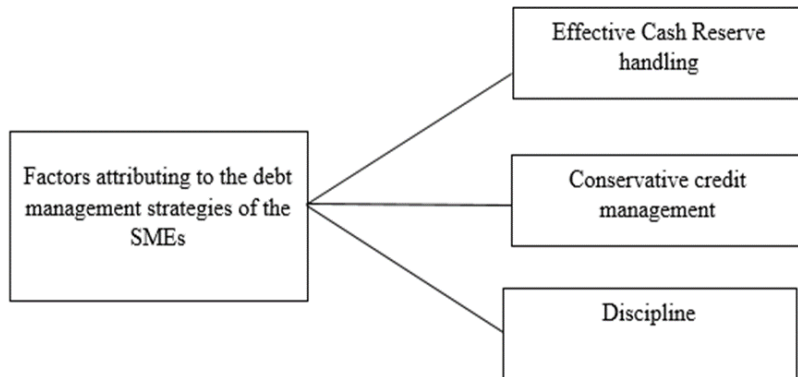


Figure 5. Factors Attributing to the Debt Management Strategies of SMEs

THEME 4: Factors Attributing to the Debt Management Strategies of SMEs

There are various components that influenced the debt management strategies of SMEs during COVID-19 pandemic. These are the factors that attribute to their strategies which played their role in facing the challenges of pandemic.

SUBTHEME 1: Effective Cash Reserve Handling

During the COVID-19 pandemic, cash reserves helped many SMEs. A cash reserve is a business' emergency fund. A reserve may be used to cover unanticipated, short-term financial needs and emergency funding needs like this pandemic. Participants shared that:

"Ahh...it's really important to have something set aside or reserved so that in case of an emergency there is something to draw from. Just like during the pandemic, somehow something was saved but we tried not to consume it and what was deducted from it should be returned again."

"Having a reserve was a big help to the business, especially during the height of the pandemic, something was withdrawn to pay off debt, additional expenses, but if there is money to be saved, it should be saved."

According to Boogard (2021), Cash reserves are essential because they allow safeguarding organization by providing cash flow in the case of unforeseen expenses or a decline in sales. Emergency funds may help the business pay expenses without taking out a loan or accumulating debts again to pay off another debt. It can be a great factor in managing debts if handled effectively.

SUBTHEME 2: Conservative Credit Management

Conservative credits are conventional loans obtained from private lenders. Managing these home loans can be a factor on debt management. A participant shared that:

"Paying the loan on time became a factor. Because there is a negotiated day when to pay, from that you will have a timeline of when you will pay. Within a week I should earn the payment for my debt for that week."

By paying off business debts and loans ahead of schedule, it can eliminate monthly payments and interest costs. Less interest equals more savings. According to Bock (2022), paying on time help maintain the good reputation of a business and Laurence (2022) can build and keep a positive credit profile which can leads to lower monthly payments.

SUBTHEME 3: Discipline

Discipline consists of the fundamental skills that individuals employ to overcome life's challenges and difficulties. This played a great role when businesses during pandemic were experiencing hard time, business owners who have self-discipline provided encouragement to turn bad times into good helped to stick to their plans and knew how to deal with the impact of pandemic especially on finances of the business. Participants shared that:

"Discipline became a big factor. Yes, you will really push yourself as business owners, you have to discipline yourself when it comes to managing your business, especially when it comes to handling finances. Really, during the pandemic, if you have an income, it does not mean you can buy anything and buy what you want right away. One must know the priority to buy that the business needs and the fees that must be prioritized."

"So being disciplined with money also became a factor, because not all borrowers pay immediately, I became disciplined in handling the money of the business so that I could have a proper budget for the needs of the business and the expenses of the business as well as the payment of debt."

"As business owners, you really need discipline, from managing your business and handling money because we don't know what emergencies can happen, if you are disciplined you will not lose your business goal."

According to Cianciulli (2021), during a worldwide pandemic, there are numerous factors outside your control as a business owner, like lockdowns, vaccine rollouts, customer behavior, and the economy, but you can always control your actions and mindset. Having the required self-discipline to maintain oneself, one's employees, and one's business solid during times of uncertainty is priceless.

4. CONCLUSIONS AND FUTURE WORKS

Based on the objectives and findings of the study, the following are drawn:

1. During the COVID-19 pandemic, the experiences of SMEs in debt management were tough as they suffer from financial fragility. There were small businesses who shutdown, resorted to informal money lenders to be able to pay their existing debts and continue their operations, experienced insolvency as they were unable to pay their debts, unsettlement of loans and repetitive borrowings.

2. As SMEs struggled to the impacts of COVID-19 pandemic, they have their coping mechanisms towards indebtedness which include personal saving scheme, debt settlement-allocation budget, putting eggs in other baskets and responsibility and accountability.

3. Also, as SMEs having their coping mechanisms towards handling debts, they have also their debt management strategies during COVID-19 pandemic which include frugality, financial planning, working capital management and business liquidity management.

4. While the factors that attributes to the debt management strategies of SMEs during COVID-19 pandemic were effective handling of cash reserves, conservative credit management and discipline.

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