

## Tourism in Times of a Pandemic: A Case of Hot Spring Resorts in Laguna, Philippines<sup>1</sup>

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### Abstract

The COVID-19 pandemic severely influenced people's lives in the past two years. The Philippines was hit hard by this pandemic. The characteristics of this pandemic restricted people's movements, and consequently negatively affected industries such as tourism, transport, and trade. Micro and small enterprises, in particular, are vulnerable to financial threats during crises, even though they deliver the bulk of the services within those industries. Many micro-enterprises in the tourism-related sector decided to close their businesses during the pandemic, while some micro-enterprises managed to survive. To capture the impacts and circumstances that pertain to the tourism sector and to evoke policy suggestions to curb the negative influences of the pandemic, it is indispensable to consecutively observe business operations during the pandemic. We conducted key informant interviews with managers of micro-enterprises in the tourism sector in one of the Philippines' typical tourist destination provinces, the Laguna province, that managed to survive and asked about the situations for the past three years. Through these interviews, we aimed to identify the factors that persisted among micro-enterprises in this strongly hit industry and the kind of support they needed to survive. Based on the interviews, we found that not only financial aid for operations but also the timely transmissions of accurate information are essential in this sector. Further development of this sector requires incentive subsidies for business entities that comply with government regulations and measures, as well as efficient financial aid and effective information delivery systems.

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## 1. Introduction

The COVID-19 pandemic has imposed extensive challenges for communities across the world, forcing them to be resilient and devise adaptive ways and coping mechanisms to handle related adversities, trauma, and crises.

Breakdowns in many aspects of community life, such as economic, financial, health, education, psychological conditions, and many others have resulted in exhaustion in many forms (Basilio, 2020), to which communities must respond effectively.

Among the ASEAN member states, the Philippines had kept the highest number of COVID-19 cases until July 2021, and it recorded the third highest number of cases after Malaysia and Indonesia as of October 2021 (Center for Strategic and International Studies, 2021).

The COVID-19 pandemic has overwhelmingly impacted people's lives in the Philippines. In September 2020, about 250,000 cases and 4,292 deaths were reported; the number of those cases increased to 2,227,367 cases and 35,145 deaths as of September 2021 (Department of Health, 2021). The government declared a nationwide state of calamity for six months in 2020, which was subsequently extended for another six months until April 2021. Lockdowns were implemented in several areas that detrimentally affected the economy and citizens' way of life. During the lockdowns, all modes of domestic and public transportation in the community were suspended. Residents were not allowed to leave home unless for emergencies and essential reasons. In 2021, lockdown measures were modified and various sectors, such as education, health, finance, and business, adopted digitalization. Community voluntary activities, such as community food pantries, were also organized to support those in need.

Many sectors suffered losses due to the ill effects caused by this pandemic and especially the tourism industry was hit hard. COVID-19 has resulted in a significant decrease in the arrival of tourists to the Philippines. Further, there have been significant declines in the revenue generated from travel, hotels, resorts, tours, spas, and the entertainment industry, which impacted heavily on employees in these fields. In 2019, the tourism industry's gross value added accounted for 12.8% of the country's gross domestic product (GDP) and it employed 5.719 million people; its contribution to the GDP and employment dropped to 5.4% and 4.618 million, respectively, in the same year (Philippine Statistics Authority [PSA], 2021a, 2021b).

COVID-19 severely disrupted businesses of small and medium enterprises (SMEs), and SMEs experienced sudden drops in revenue and a lack of liquidity (OECD, 2020). Most firms in the Philippines are micro, small, and medium Enterprises (MSMEs). According to the PSA's 2020 List of Establishments, 99.51% of all establishments are MSMEs, accounting for

62.66% of total employment in the country. Micro-enterprises constitute 88.77% of these MSMEs. Among these, 46.74% belong to “Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles” and 14.07% to “Accommodation and Food Service Activities”, both of which are closely related to the tourism industry (Department of Trade and Industry, 2022).

Based on the survey conducted in Central Luzon and its surrounding areas in 2008 and 2009, Aldaba (2011) found that the main source of funding for surveyed MSMEs in the textile, automotive, electrical and electronics, and food manufacturing industries was “Personal savings of business owner(s)”. 42% of small enterprises in all industries and 58% of SMEs in the service industry of the 2018 Asian Institute of Management RSN Policy Center for Competitiveness Survey on SME Competitiveness were credit-constrained in the National Capital Region (NCR) and Calabarzon regions. They could not, or were discouraged to borrow from banks or formal financial institutions (Flaminiano & Francisco, 2020). Although their study did not analyze micro-enterprises that had less than 10 employees, according to the definition used in the PSA’s “List of Establishments”, it is plausible that even before the pandemic, MSMEs in the Philippines may have faced financial concerns. When this pandemic struck, many MSMEs faced liquidity constraints right after the outbreak in 2020. Shionozaki & Rao(2021) found that, based on their rapid MSME survey of all sectors and regions in the Philippines, about 70% of MSMEs and those in the service sector shut down their businesses after the outbreak of COVID-19 in 2020. They also found that about 60% of MSMEs in the service sector declared zero revenue, and about 27% experienced more than a 30% decrease in their revenues compared to February 2020. A total of 37.4% expected to exhaust their cash reserves within a month, and 43.7% proclaimed having no cash or savings in the period from March 30, 2020 to April 16th, 2020. Furthermore, 71% of MSMEs stated that they could not borrow PHP50,000. Even among those who said that they would be able to borrow, 47.4% of them found that it was more difficult to borrow than the previous year. It transpired, according to their survey, that most MSMEs in the service sector were facing serious financial constraints shortly after the outbreak. It was found that almost 260,000 establishments, approximately 96% of which were micro-enterprises, and about 62% of which belonged to “Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles” and “Accommodation and Food Service Activities”, have permanently closed after 2018, based on the preliminary results of “2021 Updating of the List of Establishments” (PSA, 2022).

All in all, many micro-enterprises possibly experienced challenging financial circumstances before the pandemic, and such financial problems might have been merely aggravated by COVID-19, continuing to the present day.

Despite governmental measures such as the creation of the Inter-Agency Task Force to

provide opportunities for effective partnerships among groups, such as affected line departments and other stakeholders, to maximize utilization of resources and to increase the capacities of local governments, much work remains.

The questions to address under these circumstances are “What have the circumstances of micro-enterprises been during the two years following the outbreak?”, “What can be done to assist those micro-enterprises to recover?”, and “What are the factors that would prevent further damage?” In other words, what can be done before the pandemic burns out the community’s collective spirit?

The majority of the Philippines’ micro-enterprises belong to “Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles” and “Accommodation and Food Service Activities” sectors that suffered a huge loss of customers during the pandemic.

This study mainly focuses on micro-enterprises within one of the community-based industries—the tourism industry—that was hit hardest by the COVID-19 pandemic, and aims to formulate a coping strategy and policy recommendations. This has been done in light of the case study below.

The case study was conducted in September 2021 at Los Baños, Laguna province. Laguna was selected for our study because it is one of the 11 provinces of the Philippines’ Region IV-A and it is an inland province with a large fresh water lake named, Laguna de Bay. It is dubbed as the “Resort province of the Philippines” with its abundant ground water, hot springs, lakes and waterfalls, its rolling terrain down the shores of Laguna de Bay, and mountainous areas along the Sierra Madre mountain range and Mt. Makiling. One of its towns, Los Baños, is also the site of the country’s premier educational institution, the University of the Philippines Los Baños, and several other research institutions. It is also known as a science, art, and nature city. For our research, we selected and interviewed three typical micro-enterprises with resort facilities that have been located in Laguna for some time, of which two provided significant responses. These enterprises continued business operations, even with limited capacity, during the pandemic. There are not many studies investigating situations of micro-enterprises in the industry damaged by the pandemic in a consecutive manner. This study makes a novel contribution to the literature by its investigation on business operations of micro-enterprises in the hardest-hit industry before and during the pandemic, as well as their challenges.

By considering the situation pertaining to these cases in the tourism sector, we aim to understand the issues of this sector and provide policy suggestions to address the crises caused by the pandemic.

## 2. Current Measures and Methodology

In this section, we demonstrate the situation of typical micro-enterprises in Laguna's tourism sector and describe the methodology we adopted for our study.

Many business entities closed in 2020, causing a loss of employment in the tourism sector. Other sectors met the challenge by arranging employees to work from their home, also known as telework or remote work. However, telework does not seem to be primarily exercised in the Philippines' tourism sector.

In Laguna, several resorts were converted to quarantine facilities for suspected COVID-19 patients in 2020, but most of Laguna's resorts were closed. Although some businesses reopened in 2021, most resorts, as well as related businesses such as restaurants, souvenir shops, and fruits stands remained closed. At the same time, some resorts continued to be quarantine areas for COVID-19 patients.

To explore the prevailing situations during the pandemic and make policy recommendations for the tourism sector, we interviewed key informants in managerial positions at three hot spring resorts in Laguna, which continued to function to some degree in 2020. These enterprises were selected based on the number of employees, location, enterprise age (over 30 years), and types of operations. Enterprise A was located in Los Baños, enterprise B in Calamba, and enterprise C was a family private resort that was rented out to groups. The average enterprise age of SMEs in the NCR and Calabarzon regions is about 14 years. According to the SME survey conducted by Flaminiano & Francisco (2021), one standard deviation away from the mean was found, being 27 years. We selected enterprises that have been in business for more than 30 years so that we could clearly understand the effect of the pandemic-induced crises faced by micro-enterprise, since these enterprises did not experience severe financial problems before the onset of the pandemic. They were also well known to their communities, and could receive local customers even during these trying times if the alert level system allowed it. We did not receive any response from enterprise C, however. Therefore, we only demonstrate the results of the interviews conducted with enterprises A and B in the next section.

We conducted interviews by SNS text messages, sending questions to interviewees, families of business owners. The tabulated questionnaire, prepared by the authors, was used so that interviewees could easily answer. Follow-up discussions were held by telephone or SNS text messages, when clarifications are needed. The purpose of this study, questions, and the way of dissemination were explained by the interviewer to interviewees, from whom consent was received. The interviews were conducted in September 2021. During the interviews, both closed and open-ended questions were asked. Those questions were:

- i. How many months has your business been operational in 2019 (before the COVID-19 outbreak), in 2020, and 2021, respectively?
- ii. How many days per month was your business operational in 2019, 2020, and 2021? If there is a difference in the number of days of business operations by season, please indicate the number of days in operation during the peak and off season separately.
- iii. How many regular employees did you have in 2019, 2020, and 2021? How many female and male employees, respectively, did you have in those three years?
- iv. If there is a difference in the number of regular employees by season, please indicate the number of employees during the peak and off seasons separately.
- v. How much did you pay for them per week or per day in 2019, 2020, and 2021, respectively? If there is a difference in the wage by season, please indicate the wage during the peak and off season separately.
- vi. How many non-regular employees did you have in 2019, 2020, and 2021?
- vii. How much did you pay for non-regular employees per week or per day in 2019, 2020, and 2021, respectively?
- viii. Did you lay off any employees in 2019, 2020, and 2021? If yes, how many employees did you lay off in each of those years, respectively?
- ix. Did you sell some assets in 2019, 2020, and 2021? If yes, how much did you earn from those sales?
- x. How many customers did you have, per month or per week, in 2019, 2020, and 2021?
- xi. How much revenue did you earn in 2019, 2020, and 2021, respectively?
- xii. What kind of problems did you encounter during this COVID-19 pandemic?
- xiii. What kind of corrective measures did you take to keep business operations going during the pandemic?
- xiv. Did you receive any assistance from the government? If yes, what kind of assistance did you receive from which department?
- xv. Do you have any request you wish to be conveyed to the government and policymakers?

In the next section, the results of the interviews are presented.

### 3. Results of the Case Studies

Table 1 describes the situation of enterprise A, which data could be applied to most resorts in Laguna that continued business operations during the pandemic.

Table 1: Economic impact on enterprise A during the COVID-19 pandemic

Case: Enterprise A

Location: Laguna

Items	Pre- COVID-19, 2019	1 <sup>st</sup> year of COVID-19, 2020	2 <sup>nd</sup> year of COVID-19, 2021
Number of months open in a year	12	8	4
Number of days open in a month	24	10 to 15	10 to 20
Total number of regular employees	5	3	2
Salaries of regular employees	Manager(male) @PHP15,000/month Workers (3 females and 1 male) PHP300/day	Workers (2 females and 1 male) PHP300/day	Workers Repairman (1 male) PHP700/day 1 female PHP300/day
Number of non-regular workers and their salaries	2 PHP300/day (males)	0	0
Number of employees laid off	0	1 Manager resigned 2 Workers (1 retired, 1 resigned)	1 Worker (1 on indefinite leave)
Estimated number of customers per month	500 to 1,000 Depending on the time of the year	200 to 800	100 to 400
Assets sold	0	0	0
Estimated revenue per year	PHP1,000,000.00	Loss of PHP500,000.00	Loss of PHP500,000.00

Source: Based on the field interviews conducted by Mimosa Cortez Ocampo in September 2021

Note: The currency indicated is the Philippine peso (PHP)

Table 1 presents the following data:

- Reductions in the number of months and days that the resort was operational;
- Reduction in the number of employees/workers, number of customers, and revenues earned but no change in assets; and
- Reduction of half or more of the revenues during COVID.

When business slowed down, the hired manager resigned and the owner handled day-to-day operations. Enterprise A still maintained its facilities such as overnight rooms, picnic facilities, pumps, lights, and gardens over an area of three hectares. When circumstances allowed it, they accepted customers, mainly large groups, through reservations or online bookings. The resort could be run with a small number of staff. Pools and facilities were only opened when prior reservations were made. The resort continued paying the salaries of its employees but its income was insufficient to cover wages. Employees had to work in shifts and were paid less than they used to before the pandemic. Employees asked for assistance with food, and they were given permission to plant vegetables on the resort's property to meet their daily needs. Only one of the three swimming pools were operational on a regular basis; the others were only opened if there were reservations of large groups.

The manager of enterprise A had two primary concerns; finance and information. The resort had to pay salaries and benefits to employees, and operational costs, such as utilities and maintenance of the resort's invested facilities were not negligible. In terms of information, when the resort was allowed to accept clients, management required advance notification on the quarantine classification that would be implemented and what course of actions in the industry should adopt. Otherwise, it would have been difficult to know whether to accept or decline reservations, and losses could be incurred if preparations were made in vain.

In the first year of the pandemic, most resorts and swimming pools in Los Baños and Calamba in the Laguna province remained closed, as in other municipalities. In the city near Calamba in Laguna, some resorts had been used as quarantine facilities for COVID-positive citizens. Business was expected to normalize within six months in 2020. However, the COVID-19 situation was prolonged and business owners revised their estimates of recovery period to ten months. Yet, in the second year, resort owners remained wary of opening owing to the possibility of unexpected turn of events, such as new COVID-19 variants, surges in the infection rate, changes on issued regulations and protocols, etc.

While some have resumed operations, the majority of resorts and swimming pools as well as the allied businesses that are dependent on the influx of tourists, such as hotels, restaurants, souvenir shops, stores selling swimming gadgets, equipment, fruit stands, valet services, and business promoters along the roads enticing and securing customers for the resort



establishments, remained closed. Under these circumstances, some resort employees resigned to look for other, better-paying jobs; workers dependent on resorts had to engage in other income generating activities or sideline jobs such as construction workers, tricycle drivers, utility workers or gardeners in private homes. Occasionally, when resorts could open for specific reserved dates, employees were asked to work half-days only or they alternate with one another so all of them could earn some income. Others were asked to do special jobs in the resorts, like the repair and maintenance of the resort's facilities.

Citizens displayed an increased desire to travel since they had been in long lockdown periods under Enhanced Community Quarantine (ECQ), or Modified Enhanced Community Quarantine (MECQ); however, people were afraid of catching COVID-19. Travel destinations consequently only opened partially. Facilities were closed when required under ECQ and opened when deemed safer and regulations were relaxed under MECQ and General Community Quarantine (GCQ). While travel was allowed under Alert Level 3, which is the former GCQ, the movement of people was still subject to existing local government unit (LGU) rules of the destination areas (Manuel & Limpot, 2021).

Table 2 presents the results of the interview for enterprise B, which closed its tourism operations in 2021.

Table 2: Economic impact on enterprise B during the COVID-19 pandemic

Case: Enterprise B

Location: Laguna

Items	Pre-COVID, 2019	1 <sup>st</sup> year of COVID-19, 2020	2 <sup>nd</sup> year of COVID-19, 2021
Number of months open in a year	12	5	Closed
Number of days open in a month	Off-season-day tour except Saturdays Peak season-24 days for 7 months	3 days per week or 12 days per month	
Total number of regular employees	10 regular workers	5	
Salaries of regular employees	Off-season:PHP11,230/week Peak season:PHP18,130/week	PHP6,750/week	
Number of non-regular workers and salaries	4 PHP5,600/week	0	
Number of employees laid off	5	5	
Estimated number of customers per month	Off-season: 300/week Peak season:500-1000/week	30/week	
Assets sold	0	0	0
Estimated revenue per year	PHP600,000.00	PHP250,000.00	Loss of PHP500,000.00

Source: Based on the field interviews conducted by Mimosa Cortez Ocampo in September 2021

Note: The currency is the Philippine peso (PHP)

During the pandemic, employees approached the manager for loans. The resort incurred

additional expenses to follow sanitation measures, such as purchasing facemasks, face-shields, and machines for disinfection. Enterprise B tried to sustain its operations with continuous disinfection, opening on only a few days, and retaining a smaller number of employees. They accepted customers mostly online, except for regular ones through phone calls. However, they did not receive financial assistance and decided to cease operations due to the loss that has accumulated. Enterprise B's resort was temporarily closed in 2021.

### 3. Perceived Assistance Needed by Resorts

The resorts examined in this case study were asked about the assistance by the government. Apart from the Social Amelioration Program (SAP) or financial assistance under "Bayanihan We Heal As One" given to all residents/families in a community, resort owners received no financial assistance. The Bayanihan CARES program under the Pondo sa Pagbabago at Pag-asenso (P3), a loan program for the MSMEs affected by the pandemic, had been available in 2021 and applicants could have applied online. Through this program, applicants could borrow from PHP10,000 to PHP500,000 at no interest and a grace period of up to one year without collateral (Small Business Corporation, 2022). However, the managers and owners of enterprises A and B seemed to be unaware of the business assistance measures provided by the government such as this program when the interviews were made. Only the same "Ayuda" or financial assistance provided by Barangay to all other residents in the area were received by the resort owners and employees. Meanwhile, resort owners provide their employees with assistance in different forms: subsidizing their salaries even if there were no revenues from the resort, food assistance, loans, or cash advances, and allowing them to use the available land area in the resort for their vegetable gardening.

From the perspective of enterprise A's owner, their resort business also needs financial assistance to survive as lockdowns prohibited them from accepting customers. Financial assistance was needed to pay necessary bills, salaries, and benefits of employees, and for continuous maintenance of the facilities. Other than financial support, information regarding the pandemic measures was also important for continued operations. The key questions in this regard were "When is the resort allowed to operate and what are the limitations or regulations governing it?" Advance information on the implementation of quarantine classifications was vital for the owners and managers to plan all opportunities to accept customers and earn revenue, according to them.

Policing operations is another area where government support is needed. The key informant interviews we conducted revealed a lack of regulation or monitoring for unregistered resorts that probably was a result of the difficulty and high cost of obtaining

permits. Competing with unregistered resorts seemed unfair to registered resorts, as the latter had to pay for permits and taxes. Enterprise A said in the interview that “Many resorts prefer to be unregulated because they only see disadvantages in complying with the law and do not find any advantages. However, despite the pandemic, the government must still also continue to regulate operations of resorts that do not have the proper permits and do not pay taxes.” Many unregistered private resorts operate in a furtive manner and do not comply with government regulations. They lack the proper permits and do not pay taxes, whereas, registered resorts not only pay many fees at the onset of their operations, but also have to pay subsequent taxes and are subject to actual inspections and monitoring by a number of different agencies, such as the Department of Environment, the Department of Tourism (DOT), the Department of Labor and Employment, the Social Security System, Provincial and Municipal Treasurers’ Offices, and the Bureau of Internal Revenue. This makes operating a registered resort very costly and an unregistered resort less so.

Aside from a loss to the government, it also poses dangers to the customers as these unlicensed private resorts do not follow guidelines on health and safety such as accreditation and personnel training for water safety as well as other safety protocols in relation to security, life guards, and safe physical facilities. Moreover, unlicensed resorts with low operating expenses can offer their services at exceptionally low prices, which is unfair to legitimate resorts. This aggravated the inconvenience during the pandemic.

#### 4. Gender and Diversity Issues

At the beginning of the pandemic, the resort manager at enterprise A resigned since the resort’s revenue was insufficient to cover his salary. However, he continued working as a consultant to meet the resort’s operational obligations in terms of government permits, taxes, and the submission of waste water cleanliness test results. Some male employees resigned to find other job opportunities, while a long-term female employee retired and received her benefits, and another female employee returned to her home province since her income was severely affected by half-days or alternate days’ work.

Both males and females were paid the same amount for similar work. However, males were often employed for heavy maintenance tasks, such as pumps, pipes, and gardens. Females were employed for maintenance tasks related to cleaning and arranging the facilities. During the pandemic, males in managerial positions with high wages had to leave since their salaries could no longer be paid. However, the managerial tasks and responsibilities remained, and they had to continue supporting the resort. The female employee resigned due to her reduced income being too low to maintain her lifestyle in Laguna. Females also needed to handle

family responsibilities and received financial aid from the local government. During the pandemic, family members stayed home. When they did not have any helper at home, they needed to do housework in addition to performing external work. Although both external income and financial aid from the government were important for families, the opportunity cost of external work may be lower than that of housework for females during the pandemic. The tasks designated for employees in the tourism sector are difficult to be done remotely. All in all, this may have caused a disproportionate number of females to resign from external job opportunities.

## 5. Policy recommendations

There is no shortage of vibrant pictures on tourism at the national level in the Philippines, particularly in the mass media. How these could be seen at the local or community levels or by resort owners and stakeholders remains a challenge.

Given the aforementioned discussions on resorts and tourism at the local level, the following policy recommendations are suggested below:

- i. Incentive subsidies should be offered to resorts that comply with the DOT and LGU- issued regulations particularly on securing business permits and the payment of taxes. Certifications can be issued in this regard that will entitle them to certain subsidies. The general rule should be “no compliance, no subsidy.”
- ii. In addition to these certifications, the inclusion of micro-enterprise owners and managers, such as resort owners and managers, in the DOT programs at the national and provincial levels are important. Entitlements for “free” promotions and advertisements for the resorts can be provided.
- iii. A training facility can be installed to provide training on different aspects of resort operations. Likewise, other technical training that can complement existing knowledge and skills can also be provided. Training can also be provided in other lines of work that employees can make use of during their days off or when resorts are closed such as, plumbing, simple electrical work, masonry, computer skills etc. These can also make them highly marketable even in their community, outside the resort.
- iv. Regulating functions can be instituted at the LGU level with the office that can provide a one-stop-service for mandating all necessary procedures. This can only be done successfully through a strong monitoring and feedback mechanism that collaborates with the office directly, performing the regulating functions in the simplest way possible without subjecting the resorts to inspections by many different

agencies.

- v. Establishing a service delivery platform where managers in the industry can track information on pandemic-related measures in advance, or at least on time, may help enterprises avoid unnecessary expenditures that could eventually result in closure of the business.
- vi. Constructing a system for financial assistance that is more secure and easy to use, such as receiving assistance through mobile banking services, may save time for female employees and help them stay at work since it is the female members of families who usually accept the role of receiving financial assistance for families, sacrificing their external job opportunities. Simultaneously, further benefits-in-kind at the community level could be considered.

## 6. Conclusion

It has been two years since the first COVID-19 outbreak occurred in early 2020. The COVID-19 pandemic affected people's lives and restricted people's movements. Consequently, the tourism and hospitality industry, which comprises mostly micro-enterprises, experienced huge damages, and many enterprises closed their businesses. To understand the situation during the pandemic, to illuminate coping mechanisms, and to arrive at policy recommendations for the micro-enterprises in this industry, we conducted interviews with two typical micro-enterprise resorts in Laguna province of the Philippines, and examined their business operations during the last three years of the pandemic. We found that, during the pandemic, resort owners used their own savings to pay bills and wages due, reduced the number of employees, owners and managers were not aware of governmental financial support, they received no advance information on the required measures for catering customers, and fierce competition existed between registered and unregistered resorts. It is evident that efficient financial aid is important but regulations and an effective information delivery system are also essentials for the recovery and proliferation of the tourism and hospitality industry in the Philippines.

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