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The economic implications of outmigration to micro, small, and medium enterprises in Naga City

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Abstract:

This research examined the economic implications of outmigration on micro, small, and medium enterprises (MSMEs) in Naga City, an issue that significantly affected local economies. It identified the challenges faced by MSMEs in the aspect of workforce, consumer demand, and supply chains linked to outmigration. The study then evaluated how these challenges influenced key financial metrics, including sales generation, expense control, and profitability. Through data collected from surveys and interviews with 60 MSME owners and managers across three barangays, this research offered insights into the operational and financial strain caused by outmigration. A mixed-method approach, with a descriptive correlational design, was applied to analyze the relationships between these challenges and MSME financial performance. Findings revealed that outmigration diminished labor availability, lowered demand for local products, and disrupted supply chains, thereby affecting profitability and competitiveness. In response, the proposed ABANTE Program, aimed at promoting digital adaptation, workforce upskilling, and e-commerce expansion, was recommended to enhance MSME resilience. By addressing outmigration's economic implications, the study contributed new knowledge on outmigration's impact on MSMEs and suggested actionable support for sustainable development.

Keywords: Economics, Outmigration, MSMEs, Financial Performance, Mixed-Methods, Naga.

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INTRODUCTION

Migration often occurred as people sought better opportunities in wealthier regions. Amidst the rising trend of migration and the numerous benefits that come with it, there are those who were left behind and experienced the loss of social cohesion and economic stability. Outmigration particularly impacted MSMEs, as seen in India, where a reduction in local labor availability led to decreased business activity and slower economic growth in affected areas (George, 2016). This loss of skilled workers and customers posed challenges for small businesses in terms of sustainability and expansion. George emphasized the broader implications of skilled worker outmigration on global economic dynamics, highlighting the need for international efforts to support entrepreneurship and innovation.

MSMEs are crucial to the Philippine economy, comprising 99.5% of commercial establishments, generating 63% of employment, and contributing about 40% to the GDP (Tadeo et al., 2023). However, outmigration limited MSME growth by reducing skilled workers, thereby stifling local job opportunities and innovation. Migration within the Philippines is typically internal. According to the 2018 National Migration Survey (NMS), more than 52% of Filipinos had moved to or lived in another area within the country for three months or more. This movement impacted the Philippine economy, particularly the GDP per capita of regions with high numbers of outmigrants (Lomibao, 2023). Sending regions like Eastern Visayas and Bicol had the lowest GDP per capita (PSA, 2018), while major receiving areas such as NCR and CALABARZON were the largest GDP contributors (Lomibao, 2023). This contrast suggested an inverse relationship between migration and regional economic performance. Naga City, the regional center of commerce and trade in Bicol, relied heavily on MSMEs, particularly in wholesale and retail, which represented 66.9% of small-scale establishments in the city.

This study examined the economic implications of outmigration on Micro, Small, and Medium Enterprises (MSMEs) in Naga City, focusing on the challenges they faced in their financial prospects over the year 2024. It did not extensively analyze other factors affecting MSMEs' performance, such as government economic policies, technological advancement, business management, and access to financing, as these were not directly related to the consequences of population movement. Data were collected through surveys and interviews from 60 MSME stakeholders in selected barangays of Naga City, Camarines Sur, Philippines--specifically, Barangay Triangulo, Barangay Concepcion Pequeña, and Barangay Santa Cruz---targeting individuals closely involved in business operations. Respondents included business owners, managers, and assistant managers. The findings aimed to highlight the unique challenges outmigration posed for local MSMEs and to offer insights into the economic landscape of Naga City.

Research Questions

Generally, this study investigated the economic implications of outmigration to MSMEs in Naga City, focusing on strategic approaches for sustainable economic development. Specifically, it answered the following questions:

1. What challenges did MSMEs in Naga City face due to outmigration in terms of workforce, consumer demand, and supply chain?
2. How did outmigration impact the financial performance of MSMEs in Naga City, specifically in terms of sales generation, expense control, and profitability?
3. Which challenges faced by MSMEs significantly influenced their financial performance in Naga City?
4. What programs could the local government implement to support and encourage MSMEs affected by outmigration in Naga City?

Theoretical Framework

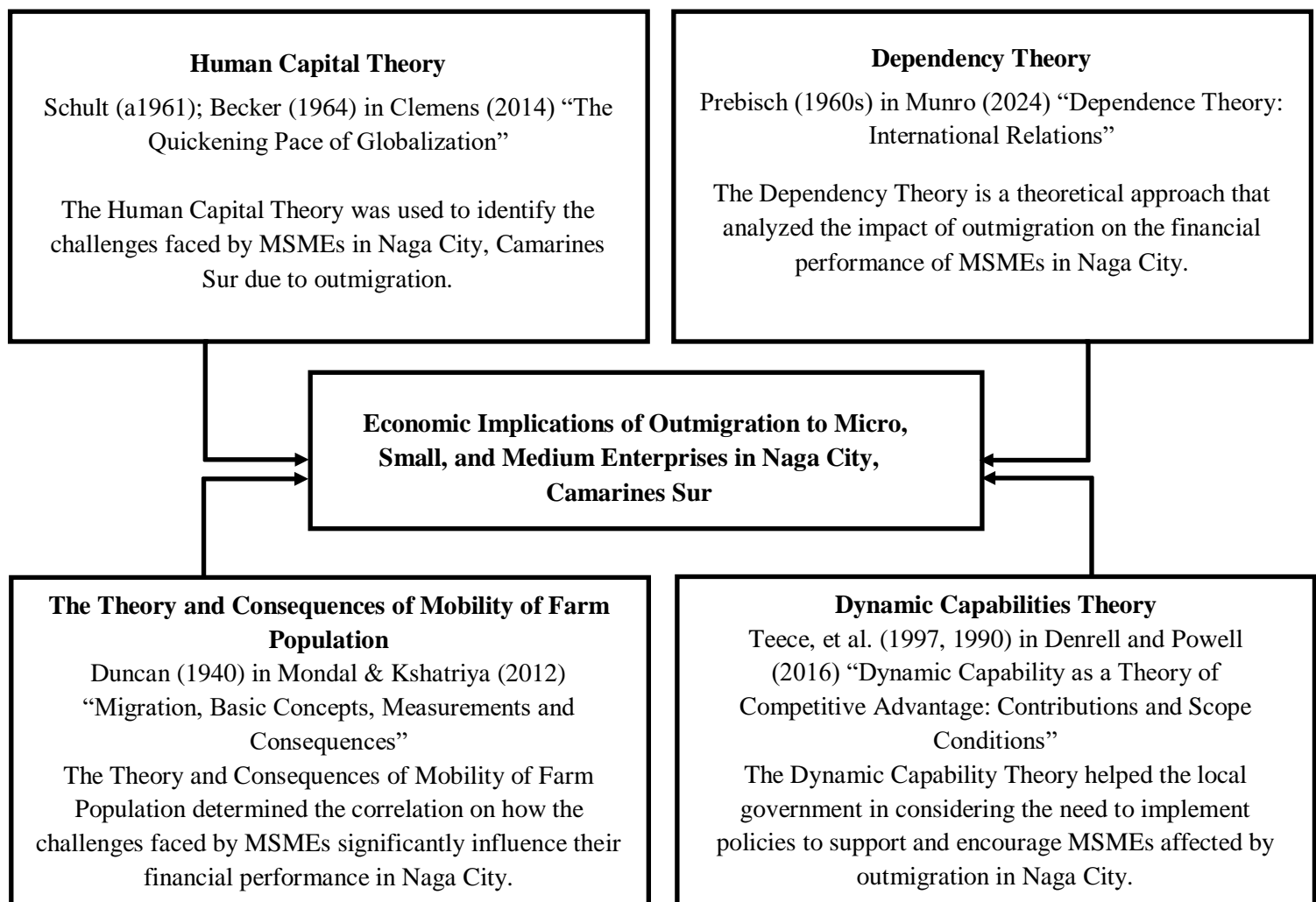


Figure 1. Theoretical Paradigm

The figure above served as a crucial visual tool for understanding the relationships between economic conditions and MSME operations through interconnected theoretical concepts. The Human Capital Theory, proposed by Schultz (1961) and Becker (1964), viewed individuals as investments, suggesting that education, skills, and well-being enhanced both personal and societal value. However, unequal access to these could deepen social inequalities and lead to brain drain (Arrow, 1972; Clemens, 2014). In this study, Human Capital Theory helped explain the challenges MSMEs faced due to outmigration. It underscored the need for skill development within local businesses to improve adaptability, providing a foundation for strategies to address outmigration's impact and build resilience among MSMEs in Naga City.

Dependency Theory, introduced by Raúl Prebisch in the late 1950s, explained economic underdevelopment as a result of structural inequalities in the global economic system. It argued that countries in dependent, peripheral positions faced economic constraints and vulnerabilities due to reliance on more dominant economies (Munro, 2024). In this study, the theory illustrated how outmigration could deepen economic dependence for MSMEs in Naga City, emphasizing the necessity of targeted measures to support their financial resilience amidst labor shortages and reduced consumer demand to continuously adapt and remain competitive in the local market.

Otis Durant Duncan's theory on rural-urban migration, proposed in 1940, examined how factors like agricultural modernization and economic shifts drove population movement from rural to urban areas. This theory suggested that migration reflected changes in a country's structural conditions and impacted both origin and destination regions (Mondal & Kshatriya, 2012). For this study, Duncan's theory provided a framework that helped explain the underlying structural factors influencing migration in Naga City and its effects on MSMEs. By applying this perspective, the study identified specific challenges MSMEs faced due to outmigration that significantly influenced their financial performance.

The "Dynamic Capabilities" theory by Teece et al. (1997, 1990) explained that firms gained a competitive edge by developing adaptive abilities to thrive in changing environments. It outlined four key processes: Sensing (spotting trends), Seizing (capitalizing on opportunities), Reconfiguring (adjusting resources), and Learning (continuously acquiring knowledge). Organizations with these capabilities could better anticipate changes and manage risks (Denrell & Powell, 2016). In this study, the Dynamic Capabilities theory provided a strategic framework to strengthen MSMEs in Naga City. By applying the four processes, the local government could create targeted strategies to boost MSME resilience and growth, even amid outmigration-related challenges.

Conceptual Framework

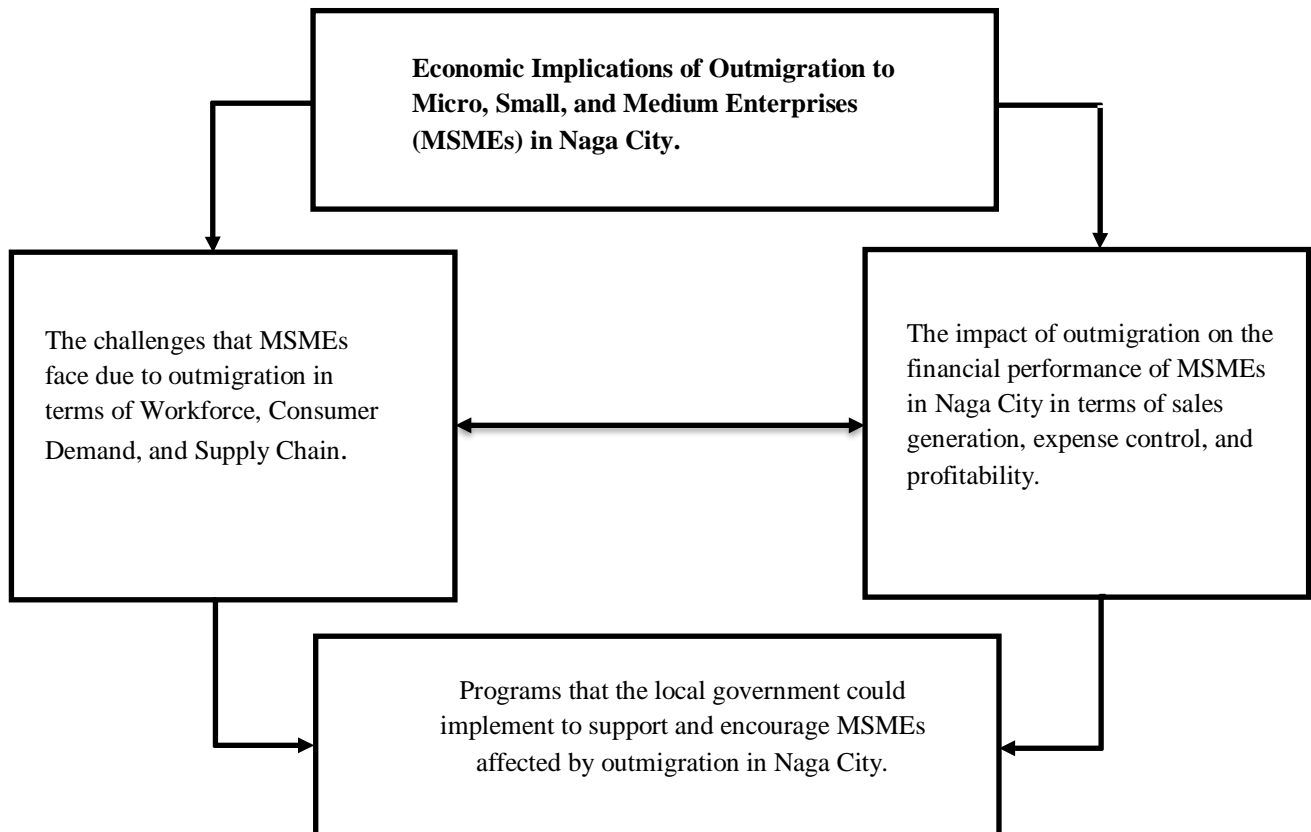


Figure 2. Conceptual Paradigm

Figure 2 illustrated the conceptual framework of this study, showing the variables and the flow of their interconnectedness. The independent variable is the challenges of outmigration on external factors such as workforce, consumer demand, and supply chain. These factors were assumed to significantly influence the dependent variables, which included aspects affecting the financial performance of MSMEs, specifically in terms of sales generation, expense control, and profitability.

METHODS

Table 1

Consolidated Personal Profile of the Respondents.

Profile	F	%	Rank
Business Address			
Barangay Triangulo	20	33.3%	1
Barangay Concepcion Pequeña	20	33.3%	1
Barangay Santa Cruz	20	33.3%	1
Total	60	100%	
Sex			

Male	21	35%	2
Female	31	51.7%	1
Preferred Not to Say	8	13.3%	3
Total	60	100%	
Position			
Business Owner	15	25%	3
Manager	20	33.3%	1
Assistant Manager	9	15%	4
Others	16	26.7%	2
Total	60	100%	
Years of Working Experience			
1 - 3 years	20	33.3%	1
4 - 6 years	20	33.3%	1
7 or more years	20	33.3%	1
Total	60	100%	
Business Size			
Micro (1 - 9 employees)	33	55%	1
Small (10 - 99 employees)	19	31.7%	2
Medium (100 – 199 employees)	8	13.3%	3
Total	60	100%	
Years of Business Operation			
1 - 3 years	18	30%	2
4 - 6 years	13	21.7%	3
7 or more years	29	48.3%	1
Total	60	100%	
Type of Business Operation			
Manufacturing	6	10%	3
Retail	18	30%	2
Wholesale	2	3.3%	5
Service	31	51.7%	1
Others	3	5%	4
Total	60	100%	

Research Methods

This study used both quantitative and qualitative research methods with a descriptive correlational research design. A mixed-method approach was used to determine the challenges and opportunities for MSMEs using a validated survey questionnaire with open-ended questions carried out through survey interviews. The descriptive correlational design was used to identify the correlation between Objectives 1 and 2, particularly in ascertaining the challenges faced by MSMEs due to outmigration and its impact on their financial performance.

A survey letter was first distributed to address the security of the respondent's information to ensure confidentiality. The survey questionnaire is structured as a modified checklist with a 5 -point Likert scale, divided into three parts. The first part gathered

respondent profiles; the second part assessed external economic challenges across the workforce, consumer demand, and supply chain parameters. The third part examines the level of outmigration's impact on MSMEs' financial performance, specifically in sales generation, expense control, and profitability. Respondents rated each factor on a scale from 1 to 5, with 5 indicating the highest level. Additionally, respondents had follow-up interviews with open-ended questions at the end of the survey to gather insights on best practices, guiding the formulation of the program proposal to help MSMEs overcome outmigration challenges.

Descriptive statistics were used to analyze the data, employing weighted mean and rank to interpret the data regarding the challenges faced by MSMEs (workforce, consumer demand, and supply chain) and the impacts of outmigration on financial performance (sales generation, expense control, and profitability). Pearson Correlation Coefficient (r) measured the strength and direction of the linear relationship between these challenges and financial performance, ranging from -1 (perfect negative) to 1 (perfect positive). Thematic analysis identified patterns in qualitative data, guiding the development of a holistic program to mitigate outmigration effects and enhance MSME performance in Naga City.

Sampling Procedures

This research selected a total of 60 MSME respondents from the three chosen barangays of Naga City: Barangay Triangulo, Barangay Concepcion Pequeña, and Barangay Santa Cruz, as these locations had the top three highest saturation of MSMEs (DTI, 2024). Using convenience purposive sampling, participants were chosen based on availability and willingness, provided they met set criteria (Keopasith & Neng, 2020). Eligible respondents include MSME owners, managers, or assistant managers in operation for at least one year. In case of their absence, any employee who was present for the majority of the duration of the business—from conception until present can participate in the data-gathering process. The selection was based on their direct experience and awareness of the operational and economic difficulties that their respective firms struggle with.

Table 1 presented the consolidated personal profile of the respondents. The respondents were equally distributed among the three barangays, each comprising 33.3% of the total respondents. Among the positions held, managers account for the highest proportion at 33.3%, whereas assistant managers represent the lowest at 15%. In terms of working experience, respondents with 1–3 years, 4–6 years, and 7 or more years of experience are evenly distributed, each accounting for 33.3%. Most businesses were micro-sized (55%), with medium-sized at 13.3%. The majority had operated for 7+ years (48.3%), while 4–6 years was the least represented (21.7%). Service-based businesses dominated at 51.7%, with wholesale businesses lowest at 3.3%.

RESULTS AND DISCUSSIONS

Challenges That MSMEs Face Due To Outmigration

The challenges that MSMEs faced due to outmigration were detailed in Tables 2.1 to 2.3. The data were analyzed using statistical methods, such as weighted mean and ranking to provide a clear understanding of outmigration's challenges. This aimed to highlight the areas where MSMEs were most vulnerable.

Workforce

Table 2.1 indicated that workforce challenges due to outmigration were considered “Moderately Challenging” overall, with an average weighted mean of 3.48. Of the five parameters, three were rated as “Challenging,” with “leadership succession” ranking highest at 3.75, while the “efficiency of organizational structure and administration” ranked lowest at 3.20, also interpreted as “Moderately Challenging.”

Based on the results, it was inferred that leadership succession was a significant challenge encountered by MSMEs in Naga City. The departure of key leaders and experienced professionals resulted in a loss of critical institutional knowledge, skills, and expertise that were difficult to replace. Since MSMEs typically had a smaller pool of potential successors compared to larger organizations, identifying qualified individuals to fill these roles posed a heightened challenge. On the other hand, challenges in organizational structure and administration efficiency were considered less of a threat for MSMEs, as they often had simpler and more flexible structures compared to larger corporations. This flexibility allowed MSMEs to adapt more readily to changes, including the impacts of migration.

Table 2.1

Challenges that MSMEs Face Due to Outmigration in Terms of Workforce.

Parameters	Mean	Rank	Interpretation
Sufficiency of workers to meet the labor demand.	3.56	2	C
Availability of highly educated and skilled workers.	3.5	3	C
Impact on employee morale and retention.	3.38	4	MC
Organizational structure and administration efficiency.	3.20	5	MC
Leadership succession.	3.75	1	C
Overall Mean	3.48		MC

Note: 4.50-5.00 – Very Challenging (VC); 3.50-4.49 – Challenging (C); 2.50-3.49 – Moderately Challenging (MC); 1.51-2.49 – Somewhat Challenging (SC); 1.00-1.50 – Not Challenging (NC).

Outmigration often involves professionals poised to become future leaders within their companies. Raia (2019) highlighted the importance of leadership succession planning

to maintain organizational continuity when key personnel leave. Such departures created immediate challenges in finding replacements and sustaining critical operations. Bae and Joo (2021) noted that losing experienced professionals led to a leadership vacuum, disrupting mentorship and decision-making. Gupta (2022) and Suguna (2022) further emphasized that outmigration strained MSMEs' structure and administration, revealing that workforce challenges significantly impacted organizational stability and efficiency.

Consumer Demand

Table 2.2 showed that MSMEs in Naga City faced challenges in consumer demand due to outmigration, with an overall mean of 3.68, indicating these were generally "Challenging." Four of the five parameters were rated as "Challenging," with "influence on brand loyalty" scoring the highest at 3.86, while "customer expectations of products and services" was the lowest at 3.33, classified as "Moderately Challenging."

Table 2.2

Challenges that MSMEs Face Due to Outmigration in Terms of Consumer Demand

Parameters	Mean	Rank	Interpretation
Customer's autonomous consumption.	3.75	2	C
Sufficiency of customer demand.	3.73	3	C
Customer's expectations of products and services.	3.33	5	MC
Shifts in purchasing power.	3.72	4	C
Influence on brand loyalty.	3.86	1	C
Overall Mean	3.68		C

Note: 4.50-5.00 – Very Challenging (VC); 3.50-4.49 – Challenging (C); 2.50-3.49 – Moderately Challenging (MC); 1.51-2.49 – Somewhat Challenging (SC); 1.00-1.50 – Not Challenging (NC).

Changes in population groups due to outmigration directly impacted consumer preferences, thus altering MSMEs' primary market base. MSMEs considered brand loyalty an important factor since building a loyal customer base is difficult to achieve and also because of its long-term value for the business. Although brand loyalty resulted from consistently meeting or exceeding customer expectations, outmigration could have altered customer expectations for products and services. This was seen as less of a challenge because MSMEs could have prepared for immediate action by altering product and service offerings to align with new customer expectations.

Migration could significantly alter the demographics of both origin and destination regions, affecting economic growth, employment, and consumer behavior (European Parliament, 2020). Tao et al. (2022) found that demographic shifts influenced brand loyalty, impacting consumer preferences and purchasing habits. Businesses lost sales when loyal customers migrated, underscoring brand loyalty's role in MSME sustainability. Additionally, outmigration shifted customer expectations for product quality, price, and availability.

Bruhathi (2023) emphasized that companies needed to adapt to these evolving demands to stay competitive.

Supply Chain

As presented in Table 2.3, MSMEs in Naga City rated all five parameters as “Moderately Challenging.” “Availability of goods” ranked highest with a mean of 3.35, while “supplier relationships” ranked lowest at 3.03. Overall, MSMEs in Naga City viewed supply chain challenges as “Moderately Challenging,” with an average weighted mean of 3.21.

Table 2.3

Challenges that MSMEs Face Due to Outmigration in Terms of Supply Chain

Parameters	Mean	Rank	Interpretation
Availability of goods.	3.35	1	MC
Supplier Relationships.	3.03	5	MC
Manufacturing efficiency.	3.21	3	MC
Inventory management.	3.30	2	MC
Quality of production	3.15	4	MC
Overall Mean	3.21		MC

Note: 4.50-5.00 – Very Challenging (VC); 3.50-4.49 – Challenging (C); 2.50-3.49 – Moderately Challenging (MC); 1.51-2.49 – Somewhat Challenging (SC); 1.00-1.50 – Not Challenging (NC).

The results indicated that MSMEs in Naga City faced similar levels of difficulty across various aspects of supply chain management, regardless of their specific business operations. While MSMEs viewed the availability of goods as more of a challenge than maintaining supplier relationships, it was evident that the availability of goods directly affected core business operations. This is because most businesses rely heavily on a consistent supply of goods to operate efficiently and to ensure business continuity. Although maintaining supplier relationships was important for negotiating terms and ensuring quality, it does not fully address challenges related to fluctuations in the availability of goods or inventory management.

Data on goods availability challenges is supported by Bruno’s study (2023), which noted that supply chain disruptions often arise when outmigration affects key industries, making MSMEs particularly vulnerable to inconsistencies in raw materials and supplies. Behera et al. (2021) added that reverse migration strains supply chains further, complicating supplier operations and impacting the flow of goods. This underscored how outmigration disrupts MSME supply chains, complicating stable supplier relationships and reliable sourcing.

Summary Of The Challenges That MSMEs Face Due To Outmigration

Table 2.4 summarized the challenges faced by MSMEs in Naga City due to outmigration. Among the three parameters, only “consumer demand” was rated as “Challenging,” with the highest mean score of 3.68. The other two parameters, including “supply chain,” with the lowest mean of 3.21, were considered “Moderately Challenging,” resulting in an overall mean of 3.46 and deeming outmigration challenges as “Moderately Challenging.”

Table 2.4

Summary of The Challenges That MSMEs Face Due To Outmigration

Parameters	Mean	Rank	Interpretation
Workforce	3.48	2	MC
Consumer Demand	3.68	1	C
Supply Chain	3.21	3	MC
Overall Mean	3.46		MC

Note: 4.50-5.00 – Very Challenging (VC); 3.50-4.49 – Challenging (C); 2.50-3.49 – Moderately Challenging (MC); 1.51-2.49 – Somewhat Challenging (SC); 1.00-1.50 – Not Challenging (NC).

The data indicated that decreased consumer demand was a primary challenge for MSMEs in Naga City. Loyal customers moving out led to fluctuating demand, making it harder for MSMEs to maintain consistent sales. This customer outflow created a gap in purchasing behavior, affecting steady revenue. In contrast, the supply chain posed fewer challenges since most MSMEs sourced materials externally, ensuring a steady flow despite occasional logistical issues.

Outmigration’s impact on MSMEs was most evident in consumer demand and supply chain stability. As Hartt (2020) observed, population decline reduced local spending, shrinking the customer base and affecting MSME sales. Although supply chain challenges were rated as less concerning, Nguyen et al. (2019) noted that outmigration could still disrupt supply chains, causing delays and increased costs, which threatened operational efficiency and MSME competitiveness in Naga City.

Impact Of Outmigration On The Financial Performance Of MSMEs

The impact of outmigration on the financial performance of MSMEs was outlined in Tables 3.1 to 3.3. Statistical methods such as weighted mean and ranking were applied to assess key financial factors like sales, expenses, and profitability to highlight the areas of MSMEs’ financial vulnerability.

Sales Generation

Table 3.1 indicated that outmigration significantly impacted the sales generation of MSMEs, with an overall mean of 3.78, classified as "Impactful." Among the five parameters, "changes in market demand" ranked highest at 4.12, interpreted as "Impactful," while "labor market availability" ranked lowest at 3.47, categorized as "Moderately Impactful."

Table 3.1

Impact of Outmigration on the Financial Performance of MSMEs in Terms of Sales Generation

Parameters	Mean	Rank	Interpretation
Production capacity.	3.67	4	I
Changes in market demand.	4.12	1	I
Labor market availability.	3.47	5	MI
Pricing and revenue management.	3.83	2	I
Sales promotion.	3.80	3	I
Overall Mean	3.78		I

Note: 4.50-5.00 – Highly Impactful (HI); 3.50-4.49 – Impactful (I); 2.50-3.49 - Moderately Impactful (MI); 1.51- 2.49 – Somewhat Impactful (SI); 1.00-1.50 – Not Impactful (NI).

Given the challenges faced by MSMEs in Naga City, it could be inferred that outmigration created an impact on the financial performance of MSMEs in the aspect of sales generation. Changes in the population group due to outmigration affected the market demand pattern, making it difficult for businesses to adjust their products or services accordingly. This shift in consumer demographics led to a misalignment between what businesses offered and what customers needed, further complicating efforts to maintain or boost sales. MSMEs faced fewer difficulties with workforce shortages as they had already secured a sufficient labor force or utilized technological solutions to offset the reduced availability of manual labor. As a result, their production and sales operations experienced less disruption.

CFI (2024) noted that demographic shifts due to outmigration could alter market demand, prompting businesses to adjust products and services to meet changing consumer needs---directly impacting sales and financial performance. This highlights the importance of market demand in sustaining MSMEs amid migration trends. Koczan et al. (2021) added that emigration reduced human capital, creating skilled labor shortages that hinder productivity.

Expense Control

As presented in Table 3.2, MSMEs in Naga City viewed two of the five parameters as "Impactful," with "labor cost adjustment" scoring highest at 3.67. In contrast, "training cost" ranked lowest at 3.07 and was considered "Moderately Impactful." The overall mean of 3.42 indicated that outmigration had a "Moderately Impactful" effect on the financial performance of MSMEs regarding expense control.

It could be inferred that MSMEs considered the incumbency of their employees, focusing more on maintaining their current workforce. This was likely because employees tended to transfer to different companies that offered better compensation for their work, a trend heightened by the effects of outmigration. Training costs were often viewed as a risky investment for MSMEs since they involved upfront expenses aimed at enhancing employee skills, with the benefits only realized after the training was completed. Given the uncertainty of employee retention---especially in the face of outmigration---MSMEs hesitated to incur these costs, as there was no immediate return and the possibility that employees might leave soon after receiving training. Therefore, controlling labor costs became a more predictable and safer strategy for these businesses.

Table 3.2

Impact of Outmigration on the Financial Performance of MSMEs in Terms of Expense Control.

Parameters	Mean	Rank	Interpretation
Switching from labor-intensive to capital-intensive production.	3.43	3	MI
Labor cost adjustment.	3.67	1	I
Inventory Cost.	3.53	2	I
Training cost.	3.07	5	MI
Recruitment and retention cost.	3.37	4	MI
Overall Mean	3.42		MI

Note: 4.50-5.00 – Highly Impactful (HI); 3.50-4.49 – Impactful (I); 2.50-3.49 - Moderately Impactful (MI); 1.51-2.49 – Somewhat Impactful (SI); 1.00-1.50 – Not Impactful (NI).

Outmigration frequently leads to brain drain, depleting the local talent pool and creating financial strain for organizations. Michaels (2023) noted that brain drain increased costs for recruiting and onboarding new talent, while Sriram (2021) highlighted labor shortages that raised labor expenses. This study revealed how labor cost adjustments impacted MSMEs' financial performance, supported by Gu's (2022) findings, which showed that local firms had to offer higher salaries to attract skilled workers, cutting into profits. Weyers (2024) added that skilled labor shortages drove up training costs, requiring businesses to invest heavily in developing less experienced employees to meet operational demands.

Profitability

Table 3.3 showed that outmigration had an “Impactful” effect on the profitability of MSMEs, with an overall mean of 4.01. All five parameters were viewed as “Impactful,” with “MSMEs adaptability to market changes” ranking highest at 4.15, while “investment in human capital and employee development” ranked lowest at 3.90.

Table 3.3

Impact of Outmigration on the Financial Performance of MSMEs in Terms of Profitability

Parameters	Mean	Rank	Interpretation
MSMEs productivity and growth.	4.03	2	I
Exploring alternative revenue streams.	4.00	3	I
Investment in human capital and employee development.	3.90	5	I
Innovation and product differentiation.	3.97	4	I
MSMEs adaptability to market changes.	4.15	1	I
Overall Mean	4.01		I

Note: 4.50-5.00 – Highly Impactful (HI); 3.50-4.49 – Impactful (I); 2.50-3.49 - Moderately Impactful (MI); 1.51-2.49 – Somewhat Impactful (SI); 1.00-1.50 – Not Impactful (NI).

Shifts in market demand, driven by outmigration, presented significant challenges for businesses to maintain profitability. MSMEs' adaptability to market changes became crucial as they needed to quickly adjust their products and services to match changing consumer preferences and shrinking customer base. While investment in human capital is essential for long-term growth, MSMEs were more likely to focus their limited financial resources on immediate operational needs amid economic fluctuations like outmigration. This meant that even though human capital investment remained impactful, market adaptability took precedence as it directly influenced profitability amidst economic fluctuations.

Outmigration often leads to demographic shifts, altering market demand due to changing consumer preferences. CJPI (2024) highlighted that adapting to these shifts was essential for MSMEs to stay competitive and capitalize on new opportunities, demonstrating the importance of adaptability for profitability. Additionally, Siegel (2022) noted that migration could induce labor shortages, emphasizing the need for human capital investment. Tobias (2022) added that addressing skilled labor gaps in the trade sector through employee training and development helped businesses sustain productivity and service quality in a competitive market.

Summary of the Impact of Outmigration on the Financial Performance of MSMEs

Table 3.4 summarized the three main parameters affecting the financial performance of MSMEs in Naga City. Two parameters, including “profitability” with the highest mean of 4.01, were rated as “Impactful.” Only “expense control,” with the lowest mean of 3.41, was deemed “Moderately Impactful.” Overall, outmigration's impact on financial performance averaged a mean score of 3.73, interpreted as “Impactful.”

The analysis revealed that profitability was the most affected by outmigration. As consumer preferences shifted due to population decline, MSMEs faced difficulties in timely adjustments to product offerings and marketing, leading to declines in profitability. Tight budgets limited MSMEs' ability to respond to market changes, prioritizing essential

operations over additional expenditures, which constrained their flexibility in adapting to fluctuating demand.

Table 3.4

Summary of the Impact of Outmigration on the Financial Performance of MSMEs

Parameters	Mean	Rank	Interpretation
Sales Generation	3.78	2	I
Expense Control	3.41	3	MI
Profitability	4.01	1	I
Overall Mean	3.73		I

Note: 4.50-5.00 – Highly Impactful (HI); 3.50-4.49 – Impactful (I); 2.50-3.49 - Moderately Impactful (MI); 1.51- Somewhat Impactful (SI); 1.00-1.50 – Not Impactful (NI).

Evansloun et al. (2019) indicated that outmigration affected market connections and reduced local consumer bases, affecting business profitability. Belyakov et al. (2020) emphasized that adapting to demographic shifts was crucial for profitability, as failure to meet changing demands led to profit declines. Although expense control was rated as least impactful, Chakraborty & Garg (2019) noted that outmigration-driven labor shortages and wage increases raised operational costs, posing additional financial challenges for MSMEs in Naga City.

Influences of Challenges Due To Outmigration On MSMEs' Financial Performance

Table 4 revealed the findings on the correlation between outmigration challenges and their impact on the financial performance of MSMEs in Naga City. Three correlations indicated a "Strong Relationship," with the highest being between "workforce" and "sales generation," with a correlation coefficient of 0.742, followed by workforce and expense control at 0.691. Consumer demand and profitability showed a moderate relationship with a coefficient of 0.400, having the second lowest correlation, while the weakest correlation was observed between supply chain and profitability at 0.255.

Table 4

Influences of Challenges Due to Outmigration on MSMEs' Financial Performance

The Impact Of Outmigration On The Financial Performance Of MSMEs				
The Challenges That MSMEs Face Due To Outmigration		Sales Generation	Expense Control	Profitability
	Workforce	0.742*** "Strong"	0.691*** "Strong"	0.475*** "Moderate"
	Consumer Demand	0.531*** "Moderate"	0.574*** "Moderate"	0.400*** "Moderate"
	Supply Chain	0.563*** "Moderate"	0.612*** "Strong"	0.255*** "Weak"
	r (degrees of freedom) = the r statistic, p = p value.			

Note: 1.0 – Perfect Relationship; 0.80-0.99 – Very Strong Relationship; 0.60-0.79 – Strong Relationship; 0.40-0.59

– Moderate Relationship; 0.20-0.39 – Weak Relationship; 0.01-0.19 – Very Weak Relationship; 0 – No Relationship

The strong correlation between workforce shortages and sales generation indicated that MSMEs relied heavily on their workforce to maintain operational capacity and fulfill day-to-day business needs. When the workforce diminished due to outmigration, businesses struggled to generate sales as they could not produce goods or provide services efficiently. Additionally, the increased costs associated with attracting and retaining employees further strained MSMEs' financial performance. Interestingly, even though business demand was one of the most important factors for generating profit, the relatively moderate relationship between consumer demand and profitability suggested that MSMEs were able to adapt by finding new markets or adjusting their prices, which helped offset the impact of reduced demand caused by outmigration. Similarly, while supply chain disruptions posed challenges, businesses still maintained profitability by optimizing costs or shifting focus to higher-margin products. Dunkelberg (2021) noted that labor shortages reduced sales due to unfilled positions, leading to missed opportunities and delays, which aligns with this study's findings of a strong link between workforce reduction and sales. Elbashbisy & El-adaway (2024) highlighted the added costs of attracting skilled labor, further straining finances. Although low consumer demand could hurt revenue (Sharma et al., 2022), MSMEs could still adapt by exploring new markets or adjusting prices. Additionally, Dungerwal (2022) emphasized that an efficient supply chain was key for MSMEs in maintaining profitability despite outmigration pressures.

Mitigating Programs towards Effects of Outmigration

This section outlines developmental outputs aimed at addressing the challenges faced by MSMEs in Naga City due to outmigration. The proposed program was designed to enhance MSMEs' resilience and competitiveness, focusing on sustainability amid the economic impact of outmigration. Inputs, processes, and outputs were discussed.

Input

- a. Primary Resources - Program recommendations were based on survey data and interviews gathered from MSMEs in Naga City, providing targeted solutions to address specific outmigration challenges affecting their financial performance
- b. Secondary Resources - Relevant literature, existing programs, and practices from other local government units and organizations were reviewed as references for developing mitigating programs to support and encourage MSMEs affected by outmigration in Naga City.

Process

Step 1: Reports, a series of local data, and information available online were analyzed to identify common themes and specific challenges faced by MSMEs due to outmigration.

Step 2: A survey questionnaire was designed to gather data on the challenges faced by MSMEs in Naga City due to outmigration and its impact on their financial performance. The survey was distributed to the targeted group of MSME owners and managers across various sectors in Naga City.

Step 3: The questionnaire results were compiled and evaluated to identify the most significant issues faced by MSMEs, facilitating the formulation of targeted programs.

Step 4: Data from the interviews with key stakeholders were categorically analyzed using thematic analysis, providing an effective reference for developing the mitigating programs.

Step 5: Once the essential data were identified and completely analyzed, the researchers designed targeted programs that addressed the identified data. Each program was crafted to focus on enhancing resilience, improving operational efficiency, and ensuring the sustainability of MSMEs in Naga City despite the ongoing outmigration trend.

Output

This section showed the mitigating activities enclosed in a program developed by the researchers based on the results of the gathered data. Each activity highlighted the specific strategies designed to effectively address the challenges posed by outmigration, aiming to enhance the financial performance of MSMEs in Naga City.

ABANTE Program

ABANTE Program encapsulates an innovative plan of activities with the goal of advancing local MSMEs through innovation, digitalization, and consumer engagement, all while fostering strong community support for small Bikolano enterprises. The acronym stands for “Advancing Bikolano Alliance for Nurturing Trade and Enterprise,” inspired by the idea of moving forward and thriving despite challenges. This program is formulated to cater to the challenge faced by MSMEs due to outmigration while also considering its impact on their financial performance. The ABANTE Program was designed based on data-driven results, addressing the most critical challenges, impactful factors, and significant relationships affecting MSMEs. These parameters are crucial to local MSMEs based on the survey findings and the thematic analysis of this study, which further prioritizes community support and engagement.



THRIVING MSMEs IN A DIGITAL WORLD

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*Photo retrieved from Masasen's Facebook page

MSMEs in Naga City face a variety of challenges, with many struggling under high taxes, limited access to capital, and inconsistent support from the local government. The ongoing issue of outmigration has also worsened these struggles, as it reduces the local workforce, impacts consumer demand, and leaves businesses short-staffed. Additionally, the absence of effective promotion and support for local brands, as well as the lack of training programs for employees, further hampers growth. Competing with larger, established businesses from outside the city adds pressure, as does the need for better technological infrastructure.

One of the respondents said during the interview that existing projects are not as effective as they are in helping their business.

"Igwa na pong mga existing na project na ginibo ang LGU kaso po dae mi man masyado namati si impact katong mga project na iyo. Tas kutang po ang akoyon kang barangay sa pag tabang sa mga problema po na kinakaharap kang mga negosyo mi. So sana po igwang consistency duman sa pagtabang samuaya."

Innovating, growing, and thriving

This comprehensive program empowers local MSMEs by connecting them through a dynamic e-commerce marketplace with integrated digital loyalty cards, enforcing financial aid support for digitalization and product innovation, and collaborating during the Annual Industry Week to enhance knowledge, partnerships, and market expansion. Together, these features ensure local businesses remain resilient and profitable in the face of outmigration challenges.

What inspired ABANTE? What is the program all about? How do the researchers came up with this program?

ABANTE is inspired by the idea of moving forward and thriving despite the economic challenges brought by outmigration. The ABANTE Program was designed based on data-driven results, addressing the most critical challenges and impactful factors while also considering the strong correlational relationship between variables. The researchers observed the need to fill in the void left by outmigrants, particularly in their home regions. ABANTE seeks to bridge this gap and recognize the potential growth of Naga City by encouraging entrepreneurial activity.

ABANTE stands for

Advancing Bikolano Alliance for Nurturing Trade and Enterprise and it provides a solution to enhance the resilience and support the sustainable growth of MSMEs in Naga City. This program introduces a digital loyalty system that will incentivize residents to continue supporting local businesses, provides financial support for innovation, and capacity building through Industry Expert Week.

- App Development**
Introducing a city-wide e-commerce platform that will connect local MSMEs with consumers. The platform will integrate a digital loyalty system that will incentivize residents by earning points through unique QR codes. These points can be redeemed for discounts, special promotions, and offers from participating MSMEs. This platform encourages virtual shopping, which is perceived as an effective way to remotely support local businesses.
- Financial Aid**
To further support the usage of the platform, the LGU of Naga should provide financial assistance to MSMEs investing in digitalization or innovative product development. This can also include financial loans with low-interest rates. These loans and grants will encourage and support MSMEs to enhance business resilience in response to the effects of outmigration. Further details about eligibility criteria is thoroughly discussed in the next section.
- Annual Industry Week**
All local MSMEs are invited to attend seminar workshops and training sessions led by industry experts focusing on specific areas such as market research analysis, financial management, and employee development. It also includes competitions and awards designed to recognize and celebrate the achievements of MSMEs and encourage them to continually use the app to sustain digitalization and innovation initiatives.



E-Commerce App Development

App Features:

- Integrated Loyalty System for Users
- Local Supply Tracking System
- Virtual Shopping and Delivery Service
- Consumer Trend Forecasts

The e-commerce platform will embed digital loyalty cards through unique QR codes. Consumers earn points for each purchase, which can be redeemed for discounts or special offers at participating MSMEs. This loyalty program is developed to sustain consumer demand for MSMEs impacted by outmigration through a customer loyalty initiative.

The platform also encompasses a local supply tracking system that allows MSMEs to track local inventory levels of essential goods from respective local suppliers in real-time. This will allow them to monitor the availability of local supplies and receive early notifications when stock levels are low, giving them ample time to source alternative suppliers and avoid potential shortages.

This feature allows MSMEs to seamlessly sell both in-store and online via the platform, offering convenience to local shoppers with its delivery system. It facilitates quick access to products while also enabling MSMEs to reach broader markets beyond Naga City in the future. This will also encourage residents to support local businesses like MSMEs, even remotely.

This feature uses advanced data analytics to track and analyze consumer behavior and purchasing patterns on the platform. By aggregating data from user activities, sales trends, and market shifts, it provides MSMEs with real-time insights into emerging customer preferences and product demands. This will enable them to adjust their offerings and create targeted marketing strategies to stay ahead of evolving consumer trends.

Advancing Bicolano Alliance for Nurturing Trade and Enterprise

Financial Assistance

Eligibility Criteria

To be **eligible** for the financial aids and loans offered by the LGU, MSMEs must conform to the following criteria:

- MSMEs should attend the Annual Industry Week**
To qualify for financial aid, MSMEs must attend the Annual Industry Week. This participation is crucial for networking and learning from industry experts, demonstrating a commitment to growth.
- MSMEs must be actively investing on digitalization and product innovation.**
To qualify for financial aid, MSMEs must demonstrate a commitment to actively investing in digitalization initiatives and product innovation.
- MSMEs must maintain an active status within the app.**
This is to ensure that MSMEs would continually use the app.

Active status is defined by the following criteria:

Active Use
Users must log into the app at least **once every seven days**. This requirement is intended to encourage regular interaction with the app and its features.

Engagement Activities
In addition to logging in, users must complete a minimum of two specific engagement activities per week. Engagement activities include, but are not limited to:

- Interaction with other users
- Utilization of app features and content creation
- Customer responsiveness: MSMEs should respond to customer review and queries within 48 hours.

Seminar Workshops and Training Sessions

Innovative Market Research Adaptation (Training Session) Day 1-2

The program will include the provision and discussion of up-to-date market research, offering insights into consumer behavior analysis and trend forecasts to help businesses stay competitive. Businesses will receive guidance on how to adapt their product and service offerings to meet evolving market demands through the use of advanced market research tools and strategies.

Workforce Optimization Strategy Development (Seminar Workshop) Day 3-4

The program will provide training for MSMEs on effective workforce planning and the integration of technology to enhance efficiency and reduce operational costs. It will explore and implement automation solutions tailored to replace or optimize labor-intensive processes, particularly in areas where labor costs are highest.

Leadership Development and Mentorship Schemes Day 5-6

The program will conduct two-day workshops designed to enhance essential leadership skills for both current and emerging leaders within MSMEs in Naga City. In collaboration with local universities, qualified mentors will be recruited to co-organize these training events, ensuring a high level of expertise. Experienced leaders will be paired with newer employees based on factors like industry experience, roles, and shared challenges, creating a supportive and personalized mentorship experience.

PART 2

Competition Guidelines

Customer Loyalty Engagement Contest Guidelines

- MSMEs must encourage customer engagement with the use of the digital loyalty card system by implementing effective marketing techniques, special promotions, and referral bonus programs over a 3-month period.
- Must track loyalty card users, frequency of visits, and rewards redeemed.

PRIZES

1st Place: ₱75,000 marketing fund + exclusive feature in local media outlets.
2nd Place: ₱50,000 marketing fund + featured placement on the e-commerce platform for 1 month.
3rd Place: ₱25,000 marketing fund

Product Innovation Challenge Guidelines

- Participating MSMEs must develop a new product or service within a 3-month timeframe. Limited time offerings count.
- Entries must include a product prototype or service demo with a short description of its market potential.
- This product or service must be sold during the business fair.

PRIZES

1st Place: ₱100,000 innovation fund + product feature in the platform and in the official FB page of the organizing committee for 2 months.
2nd Place: ₱75,000 innovation fund + product feature in the platform for 1 month.
3rd Place: ₱50,000 innovation fund + product development consultation and support.

Sales Growth Competition Guidelines

- MSMEs participating in the business fair must report their generated sales within the whole duration of the event using a sales tracker template to be provided upon registration.

PRIZES

1st Place: ₱20,000 cash prize
2nd Place: ₱10,000 cash prize
3rd Place: ₱5,000 cash prize

Figure 3: ABANTE Program Catalogue

ABANTE provides a solution to enhance the resilience and sustainable growth of MSMEs in Naga City by introducing a digital loyalty system that would incentivize residents to continue supporting local businesses while also providing financial support for MSMEs engaging in innovation and product development. The LGU of Naga City could develop a city-wide e-commerce platform that connects local MSMEs with consumers. This platform would integrate digital loyalty cards where residents could earn points and rewards for repeat purchases. These points could be redeemed for discounts, special promotions, or exclusive offers from participating MSMEs. This platform also encourages virtual shopping, which is perceived as an effective way for residents to support local businesses, even remotely. To further support the platform, the LGU could also provide financial assistance to MSMEs investing in digitalization or innovative product development. These loans or grants would encourage and support MSMEs to enhance business resilience in response to outmigration.

Furthermore, the LGU of Naga City would host an annual Industry Expert Week where all local MSMEs are invited to attend seminars and training sessions led by industry experts focusing on specific areas such as digitalization, product innovation, market expansion, and employee development. It also includes competitions and awards designed to recognize and celebrate the achievements of MSMEs and motivate others for enhanced community engagement. The integration of the ABANTE Program through a digital loyalty system, financial support for innovation, and capacity building through Industry Expert Week would help MSMEs be well-prepared to overcome the challenges of outmigration and thrive in the evolving market landscape.

ABANTE Program Distinctive Approach

The ABANTE Program stands out by offering a unique approach that sets it apart from other programs that operate on a broader or less targeted scale.

1. **Localized Economic Support.** Unlike broader national programs, ABANTE focused specifically on the impact of outmigration in Naga City. It directly addressed the challenges associated with outmigration and its impact on MSMEs' financial performance, providing targeted strategies for the local economy. This local orientation allowed the program to be more agile and responsive to Naga City's unique challenges.
2. **Holistic MSME Support Model.** Unlike typical programs that addressed only one aspect of MSME development, ABANTE integrated digitalization, innovation, workforce development, financial guidance, supply chain solutions, and local business events into a single, cohesive support system. This model ensured that MSMEs were equipped with a holistic toolkit for resilience and growth, addressing multiple challenges simultaneously.
3. **E-Commerce as a Primary Growth Channel.** While some programs also encouraged digital presence, ABANTE placed a special focus on e-commerce as a growth and adaptation strategy, which was crucial for MSMEs affected by local market shrinkage due to outmigration. By providing resources and training specifically for

online sales, innovation, logistics, and digital marketing, ABANTE enabled MSMEs to tap into broader markets beyond Naga City, thus offsetting reduced local consumer demand.

4. **Workforce Skill Development.** While other programs focused on general upskilling, ABANTE strategically developed skills that aligned with the specific needs of local businesses and the economic goals of Naga City. This approach aimed to build a skilled workforce that was directly relevant to the area's unique industries, making employees more valuable within the local job market. Aligning training with specific business needs and local economic goals better mitigated the local talent drain and strengthened community bonds.
5. **Adaptive & Data-Driven Support.** ABANTE was designed to be agile, using ongoing feedback from MSMEs and data on workforce trends, business performance, and consumer behavior to fine-tune its strategies. This adaptability allowed ABANTE to respond quickly to emerging challenges or changes in the economic landscape, keeping the program relevant and impactful over time.
6. **Sustainability Focus.** ABANTE was designed with long-term sustainability by embedding mechanisms that continuously supported MSMEs and workforce retention. Instead of one-time interventions, the program offered ongoing skill development, digital support, and annual local events. This ensured that as business environments evolved, the skills and resources within Naga City adapted to meet new demands.
7. **Government and Local Collaboration.** The program included structured partnerships with local government and educational institutions, which helped ensure sustainable support. Unlike other programs that operated in isolation, ABANTE leveraged these collaborations to implement its initiatives and adapt to feedback directly from the MSME community.

CONCLUSION AND RECOMMENDATION

This section presents the findings, conclusions, and recommendations that address that address the economic implications of outmigration on Micro, Small, and Medium Enterprises in Naga City.

Challenges That MSMEs Face Due To Outmigration

1. **Workforce.** Leadership succession posed a significant challenge for MSMEs in Naga City, as the loss of key leaders reduced critical knowledge and skills, with fewer successors compared to larger organizations. The LGU of Naga should introduce training programs and mentorship initiatives to support MSMEs. This is enclosed within the Annual Industry Week under the proposed ABANTE program, collaborating with local universities to recruit qualified mentors and organize joint training events and workshops on organizational management and strategic planning

2. **Consumer Demand.** Outmigration created challenges in maintaining brand loyalty, as shifting demographics altered consumer preferences and the market base. Therefore, to sustain consumer demand, the researchers proposed the development of an e-commerce platform integrated with a digital loyalty system to strengthen brand loyalty.
3. **Supply Chain.** MSMEs in Naga City faced similar levels of supply chain management challenges across various types of business operations. They considered the availability of goods a more significant issue than maintaining supplier relationships, as consistent supply was vital for efficient operations and business continuity. Therefore, by enabling MSMEs to monitor local supply availability through the local supply tracking system within the e-commerce platform, they will be able to outsource from alternative suppliers during shortages.

Impact of Outmigration on the Financial Performance of MSMEs

1. **Sales Generation.** Demographic shifts caused by outmigration altered market demand which complicated MSMEs' efforts to adapt products or services to generate sales. To help MSMEs adapt to changing consumer trends, it is recommended for the LGU to support product innovation by implementing training sessions for innovative marketing strategies, and hold event competitions that showcase innovative products and services.
2. **Expense Control.** MSMEs prioritized retaining their current workforce by adjusting labor costs, as employees often leave for better-paying opportunities, worsened by the effects of outmigration. To curb rising costs, the LGU of Naga could implement an expense optimization program for MSMEs, by leveraging the use of technology for more efficient operations, reducing the dependency on high-cost labor.
3. **Profitability.** Outmigration reduced MSME profitability in Naga City by shrinking the local customer base challenging their adaptability to evolving consumer preferences. To help boost profitability, it is recommended to develop a feature within the e-commerce platform that uses advanced data analytics to track and analyze consumer behavior and purchasing patterns. This will enable MSMEs to adjust their product and service offerings to meet product demands.

Influences of Challenges Due To Outmigration On MSMEs' Financial Performance

The strong correlation between workforce shortages and sales generation underscored MSMEs' reliance on their workforce for operational efficiency. Outmigration reduced the availability of skilled workers, hindering efficient production and sales, while the increased costs of attracting and retaining employees further strained sales generation. To address these issues, the LGU of Naga could launch workforce development trainings within the Annual Industry Week in partnership with educational institutions to train local talent and improve sales performance. Additionally, offering incentives for flexible work arrangements could attract skilled workers while managing labor expenses effectively.

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