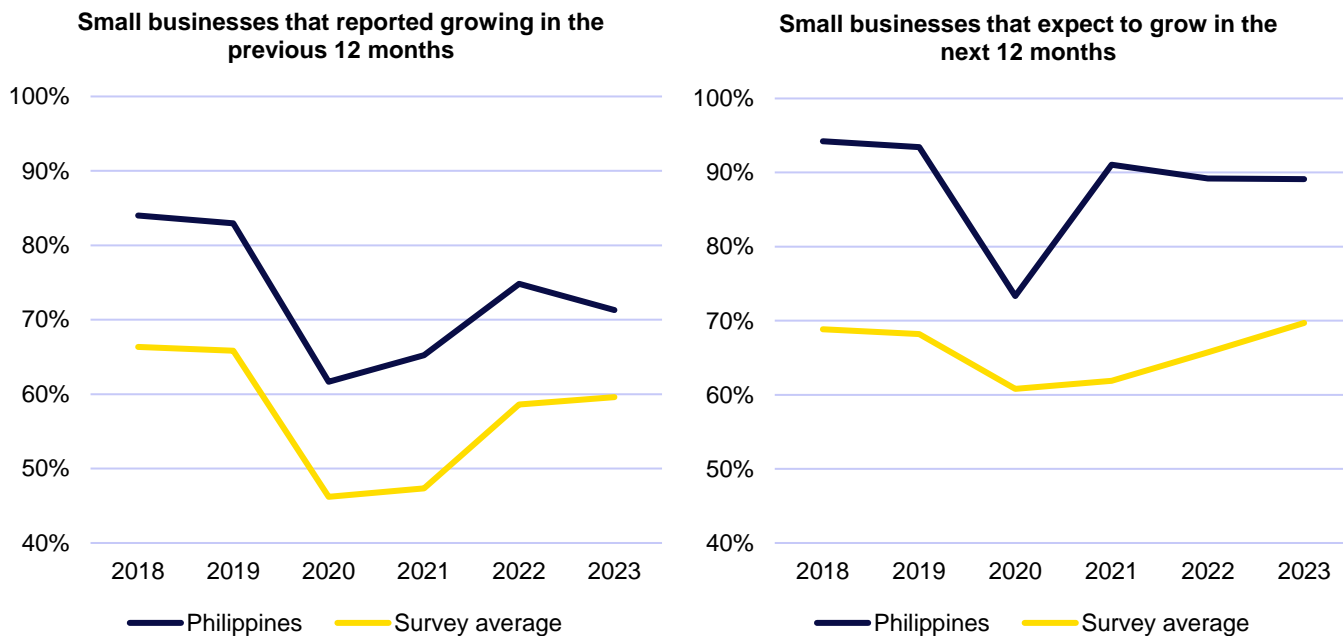


# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

Philippines market summary

# Philippines

## Business and economic conditions



	Philippines 2023	Survey average 2023	Rank 2023	Philippines 2022	Rank 2022	Philippines 2021	Philippines 2020	Philippines 2019
<b>Businesses that grew in the last 12 months</b>	71.3%	59.6%	4/11	74.8%	3/11	65.2%	61.7%	83.0%
<b>Businesses that expect to grow in the next 12 months</b>	89.1%	69.7%	1/11	89.2%	1/11	91.1%	73.3%	93.4%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	79.5%	65.0%	3/11	78.1%	2/11	85.8%	66.7%	83.3%
<b>Satisfied or very satisfied with the financial return of the business<sup>1</sup></b>	72.8%	65.3%	3/11	71.9%	6/11	N/A	N/A	N/A

<sup>1</sup> Limited to the owner, director, CEO/managing director or principal.

2023 was a strong year for Filipino small businesses. 71 per cent said that they grew last year, the fourth highest among 11 surveyed markets. The high level of satisfaction Filipino small business owners have with the financial returns they received from their businesses in 2023 mirrors this result.

2024 is expected to be a particularly good year for Filipino small businesses. 89 per cent expect to grow, the highest result of all the markets surveyed.

Key factors contributing to this positive result is the focus Filipino small businesses have on technology, e-commerce, innovation, exporting, and improved customer satisfaction and business strategy. Our survey results show these factors are deeply associated with high growth businesses.

This strong focus on drivers of business growth is likely to help several Filipino small businesses evolve into large, successful global businesses in the next few years.

High levels of small business confidence in the Philippines economy is also influencing small business growth. Eight in ten expect the local economy to grow this year, the third highest result of the surveyed markets.

Another likely contributing factor to the success of Filipino small businesses is the relatively young age profile of their owners. According to our survey, only 22 per cent of Filipino small business owners were aged 50 or over, below the survey average of 28 per cent. Our survey data shows younger owners are much more likely to run businesses that grow, and use technology such as e-commerce and social media in their business. They are also much more likely to innovate and export.

## Technology use

	Philippines 2023	Survey average 2023	Rank 2023	Philippines 2022	Rank 2022	Philippines 2021	Philippines 2020	Philippines 2019
<b>More than 10 per cent of revenue came from online sales</b>	60.7%	62.2%	8/11	57.8%	8/11	50.3%	62.0%	49.8%
<b>Did <u>not</u> use social media for business purposes</b>	10.6%	15.4%	8/11	9.8%	9/11	11.6%	9.3%	14.1%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	62.0%	52.8%	5/11	69.9%	2/11	69.9%	55.7%	67.5%
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	Mobile apps	N/A	Computer equipment	Computer equipment	Computer equipment
<b>Consider the business likely to be cyberattacked in next 12 months</b>	27.1%	44.2%	9/11	26.8%	10/11	36.4%	29.0%	33.1%
<b>Reviewed the business' cybersecurity protections in past six months</b>	42.2%	49.5%	9/11	47.7%	5/11	49.7%	38.7%	34.8%

<b>Lost time and/or money due to a cybersecurity incident in the past 12 months</b>	28.4%	40.7%	9/11	N/A	N/A	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Dragonpay, GCash, PayMaya, PayMongo</b>	68.2%	70.8%	7/11	69.9%	7/11	51.4%	61.3%	47.2%
<b>Sought advice from IT consultants / specialists</b>	18.5%	25.8%	9/11	22.9%	6/11	16.9%	12.7%	N/A

One factor driving the growth of Filipino small businesses is their relatively strong use of technology. 61 per cent of Filipino small businesses received more than 10 per cent of their revenue from online sales this year, up from 58 per cent in 2022, and up from 50 per cent before COVID in 2019.

Related to e-commerce, most Filipino small businesses offer customers the choice of paying by new digital and mobile payment technologies such as PayPal, GCash and Dragonpay. 68 per cent received more than 10 per cent of their sales through such technologies in 2023, slightly below the survey average of 71 per cent.

Cash, however, is still important to Filipino small businesses. They were the most likely to receive 50 per cent or more of their sales in cash last year (76 per cent). Given the broad cross-section of industries represented in the Philippines survey sample, it is assumed that many business-to-business transactions were conducted in cash.

An overwhelming majority of Filipino small businesses use social media. Only 11 per cent did *not* use social media in their businesses last year. 65 per cent used social media to promote their business to potential customers.

The strong returns generated by such investments are helping to drive this focus on technology. 62 per cent reported their investment in technology last year improved their profitability, beating the survey average of 53 per cent.

Most Filipino small businesses didn't experience loss due to cybersecurity incident last year. Only 28 per cent experienced such losses compared to survey average of 41 per cent. Most also don't expect to be cyberattacked this year, with only 27 per cent expect such an attack compared with the survey average of 44 per cent. It's therefore positive that 42 per cent reviewed their cybersecurity measures in the past six months.

## Business activity over the past 12 months

	Philippines 2023	Survey average 2023	Rank 2023	Philippines 2022	Rank 2022	Philippines 2021	Philippines 2020	Philippines 2019
<b>Increased employee numbers</b>	36.3%	32.0%	5/11	32.0%	3/11	41.4%	27.7%	39.0%
<b>Improved customer satisfaction had a major positive impact on the business</b>	38.3%	28.6%	2/11	35.3%	3/11	30.5%	28.7%	40.7%
<b>Improved business management had a major positive impact on the business</b>	27.4%	23.5%	5/11	28.8%	2/11	24.2%	18.7%	19.7%
<b>Increasing costs had a major negative impact on the business</b>	45.5%	39.7%	4/11	39.9%	1/11	30.5%	26.0%	34.1%
<b>Required funds from an external source</b>	67.7%	62.7%	6/11	62.4%	5/11	66.2%	64.0%	58.0%
<b>Sought external funds for business growth</b>	49.3%	52.6%	5/11	59.2%	4/11	45.5%	43.2%	54.8%
<b>Sought external funds for business survival</b>	25.4%	39.7%	10/11	35.1%	8/11	41.0%	32.3%	20.9%
<b>Found it easy or very easy to access external finance</b>	18.5%	43.3%	11/11	24.6%	11/11	38.0%	13.0%	18.6%
<b>A bank was the business' main source of external finance</b>	24.9%	40.2%	11/11	22.0%	10/11	13.0%	14.6%	28.8%
<b>Did <u>not</u> spend any time and resources on ESG practices</b>	13.2%	19.9%	7/11	12.1%	8/11	N/A	N/A	N/A

## Planned business activity over the next 12 months

	Philippines 2024	Survey average 2024	Rank 2024	Philippines 2023	Rank 2023	Philippines 2022	Philippines 2021	Philippines 2020
<b>Expect to increase employee numbers</b>	53.8%	43.1%	2/11	57.8%	3/11	61.9%	52.3%	54.1%
<b>Will introduce a new product, service or process unique to their market or the world</b>	30.7%	28.7%	6/11	35.3%	4/11	45.4%	31.3%	32.5%
<b>Expect revenue from overseas markets to grow strongly</b>	21.1%	18.9%	5/11	26.5%	4/11	39.1%	22.0%	27.5%
<b>Will seek external funds</b>	25.1%	28.7%	9/11	22.5%	10/11	33.4%	19.7%	18.7%
<b>Expect easy to very easy access to finance</b>	19.4%	40.3%	11/11	22.7%	10/11	37.8%	16.3%	14.5%

### Employment

36 per cent of Filipino small businesses added to their employee numbers last year, up from 32 per cent in 2022. The strong growth expectations of Filipino small businesses for 2024 is reflected in the high number of businesses that expect to add to their employee numbers this year (54 per cent).

### Innovation

Philippines small business sector is innovative. 31 per cent said they will introduce a new product, process or service to the country or the world in 2024. This focus on innovation should support long-term growth and improve the competitiveness of the Philippines' small business sector.

### Access to finance

Reflecting a good year for Filipino small business, 68 per cent sourced external finance last year, up from 62 per cent in 2022. The primary reason for seeking that finance in 2023 was to fund growth (49 per cent). Only 25 per cent sourced finance for survival.

Despite improving business conditions, respondents from the Philippines didn't find it easy to access finance. Only 15 per cent found accessing finance was "easy" or "very easy" in 2023, the lowest among 11 surveyed markets. Of the markets surveyed, they were the least likely to source funds from a bank, instead, many sourced finance from family or friends or from their own personal resources.

### Exports

21 per cent of Filipino small businesses expect to increase revenue from exporting in 2024, slightly higher than the survey average of 19 per cent. Seeking alternative markets is one way of growing business and diversifying revenue streams. It also exposes the businesses to new competition and ideas, which will benefit such businesses eventually. The survey results show that businesses that expect to grow their revenue from exporting perform better than those that do not expect to grow exports.

## Environmental, social, and governance (ESG)

Filipino small businesses have a strong focus on activities linked to ESG. The survey showed only 13 per cent did *not* spend any time or resources on activities linked to ESG in 2023. The activities linked to ESG that Filipino small businesses were most likely to focus on were staff health and safety policies and supply chain sustainability.

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on Filipino small business in 2023	Top four factors that had a positive influence Filipino on small business in 2022	Top four factors that had a positive influence on Filipino small business in 2021
Customer loyalty	Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved business strategy	Improved customer satisfaction
Improved business strategy	Improved customer satisfaction	Good staff

Top four factors that had a negative impact on Filipino small business in 2023	Top four factors that had a negative impact on Filipino small business in 2022	Top four factors that had a negative impact on Filipino small business in 2021
Increasing costs	COVID-19	COVID-19
Increasing competition	Increasing costs	Increasing costs
Tax	Increasing competition	Increasing competition

Filipino small businesses had a strong focus on “improved business satisfaction” and “improved business strategy” in 2023. This is likely to have towards 2023 being a good year for most of the country’s small businesses. The survey results show those factors are more strongly associated with high growth businesses than most others.

Small businesses in the Philippines found “increasing costs” and “increasing competition” the largest barriers to growth. Materials, utility costs and fuel costs were the costs that caused them the most detriment.

## Entrepreneurship

Philippines 2023	
Primary reason for starting their business	Be your own boss / independence
Biggest concern when first started a business	Uncertainty whether your business will succeed
Most common attitude and approach to managing business risk of owner	Strategic risk manager

When starting their business, Filipino entrepreneurs are most likely to be motivated by the desire to be their own boss. The biggest concern they had when they started out in business was the uncertainty over whether their business will succeed.

The greater likelihood of Filipino small business owners being strategic risk managers indicates they are more likely to prefer identifying risks, develop comprehensive risk strategies and have back up plans.

## Demographics

	Philippines 2023	Survey average 2023	Rank 2023	Philippines 2022	Rank 2022	Philippines 2021	Philippines 2020	Philippines 2019
<b>Respondent aged under 40</b>	52.1%	46.0%	5/11	56.5%	4/11	57.3%	69.3%	64.9%
<b>Business established for less than 11 years</b>	80.5%	61.1%	2/11	82.7%	3/11	88.1%	82.0%	82.6%
<b>Respondent is the business owner</b>	65.0%	37.4%	3/11	69.0%	2/11	61.9%	66.3%	69.5%
<b>Business has 10 to 19 employees</b>	23.4%	38.3%	9/11	19.0%	9/11	31.8%	17.0%	22.0%

One advantage the Philippines enjoys is the high percentage of people under 40 owning or filling important positions in small business. The survey results show that businesses with younger respondents are more likely to be growing, innovating, using emerging technologies and exporting.