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# ENTREPRENEURSHIP IN THE PHILIPPINES: 2013 REPORT

The background of the page is a white canvas with several large, sweeping, and overlapping curves in shades of light blue and black. These curves create a sense of motion and fluidity, framing the central text.

# Entrepreneurship in the Philippines: 2013 Report



# Entrepreneurship in the Philippines: 2013 Report

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Entrepreneurship in the Philippines:  
2013 Report

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## Message from the President and Chancellor

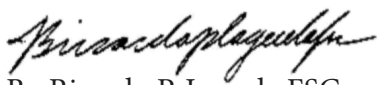
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The local and global marketplace is a vast arena that has witnessed a continuing evolution in recent decades. The business landscape, and social and cultural realities particularly the lack of opportunities for local employment, have favored the entry of entrepreneurs, many of who are pioneering and innovative business leaders who view entrepreneurship as a reliable vehicle toward improving one's economic and social standing. However, like all other business sectors and categories, entrepreneurship needs the support of social institutions, especially the government to thrive in an intricate web which is the bureaucracy.

Congratulations to the Philippine GEM National Team and the DLSU Angelo King Institute for Economic and Business Studies for coming up with this monograph that particularly offers valuable information on the current state of entrepreneurship in the country. It gives a general profile of Filipino entrepreneurs in terms of age, their entrepreneurial attitude, activities and aspirations as Filipinos, and outlines the factors that serve as drivers or barriers to entrepreneurship, among others. This comprehensive report, whose results are comparable with global norms, serves as a handy reference material, particularly in aid of legislation for local and national government. It offers valuable inputs for assessing and redesigning business curriculum in basic and higher education, for reviewing and implementing policies affecting business formation, and toward putting in place and improving all other mechanisms that support the growth of business enterprises, among others.

Again, congratulations to our Philippine GEM National Team and the DLSU Angelo King Institute for Economic and Business Studies. Studies such as this help DLSU fulfill its vision of bridging faith and scholarship in the service of society.



Br. Ricardo P. Laguda FSC  
De La Salle University



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# Foreword

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De La Salle University-Angelo King Institute for Economic and Business Studies (DLSU-AKI) warmly welcomes the publication of *Entrepreneurship in the Philippines: 2013 Report*. This monograph summarizes the major findings of a nationwide survey on entrepreneurship conducted in 2013. The report highlights the attitudes, activities and aspirations of Filipinos as entrepreneurs using the Global Entrepreneurship Monitor (GEM) as a frame of analysis. Because many countries worldwide are also using the GEM framework, the results of the Philippine survey are now comparable with global norms.

The publication of this monograph is just one of the outputs of the DLSU-AKI project entitled Promoting Entrepreneurship Research in South East Asia: Applying Global Entrepreneurship Monitor. In partnership with the Universiti Abdul Razak in Malaysia and with funding support from the International Development Research Center (IDRC) in Canada, the team from DLSU-AKI was able to carry out this important milestone in entrepreneurship research in the country. The institute is thankful to the Universiti Abdul Razak and to IDRC for choosing DLSU-AKI the as their partner institution in the Philippines for this important multi-country venture.

Aside from putting De La Salle University in the global map of entrepreneurship research, the DLSU-AKI is particularly excited with this project for several reasons. First, with this project DLSU-AKI is able to contribute in addressing inclusive growth, one of the research thrusts of the university. Understanding the Filipino entrepreneurs can be an important input in making appropriate policy recommendations that would enhance the role of entrepreneurship in employment and income generation and hopefully in promoting inclusive growth in the economy.

Second, as DLSU aspires to be a research university of note, the GEM project plays a share in building the research infrastructure of the institute by allowing DLSU-AKI to accumulate stock of periodic datasets on entrepreneurship in the country. This wealth of information can be used by our professors, researchers and students in producing quality research on entrepreneurship, poverty alleviation and inclusivity for publication in international refereed journals and as basis for policy interventions. This would indeed make DLSU-AKI the center of entrepreneurship research in the country.

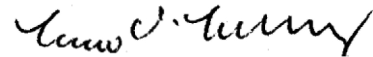
Third, the project enables DLSU-AKI to be part of a regional and global network of researchers, research institutes and universities involved in understanding entrepreneurs and their milieu as well as their contributions to the economy. As part of a global network, this will allow our researchers to interact with the researchers from other economies as they expand the



discourse on entrepreneurship. Although local color can add to the nuances in understanding entrepreneurship, the global network facilitated by GEM can establish a comprehensive theory on entrepreneurship.

This monograph is the first of a series of annual reports for the Philippines. It is important that DLSU-AKI continues to participate in this worthwhile undertaking in future not only for its social value but also for the development of the institute. The maturity of a research institution is measured by the quality of its research outputs and policy recommendations it produces, which are in turn shaped by the quality of its data base. The GEM project through the accumulation of information on entrepreneurship provides an efficient avenue for the maturation of DLSU-AKI as a research institution in the country.

I congratulate Dr. Aida Velasco and her research team drawn from faculty members of the Ramon del Rosario College of Business and the School of Economics for their contributions in the completion of this report. I hope that researchers and policy makers in the Philippines and other partner institutions in other parts of the world will find this monograph useful.



**Tereso S. Tullao, Jr., Ph.D.**

Director

De La Salle University -Angelo King Institute for  
Economic and Business Studies

August 2014

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# Executive Summary

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The Philippines conducted a study on entrepreneurship using the Global Entrepreneurship Monitor (GEM) framework in 2013. The study surveyed 2,500 adults, aged 18–64, representing the 17 regions in the country. The survey described the entrepreneurship indicators in the country in terms of the entrepreneurial attitude, activity, and aspiration of Filipinos. The entrepreneurial factor conditions that act as drivers or barriers to entrepreneurship were identified through a survey of 39 experts representing entrepreneurs, policy makers, professionals, and socio-civic organizations. Results of the study for the Philippines were also compared with the different economies that participated in the GEM 2013 global study on entrepreneurship.

In 2013, approximately 18.5 million Filipinos were starting or running a new business while close to 6.6 million Filipinos were engaged in a business for at least 3 1/2 years. The Philippines exhibits the highest rate of business start-up in the Asia-Pacific and South Asia region. On the other hand, the country has the highest business discontinuance rate. Majority of the entrepreneurs in the Philippines are driven by necessity given the high unemployment rate and few job opportunities in the country.

Entrepreneurship is seen by the Philippine society as a reliable means to improve one's economic and social standing. This social and cultural orientation serves as one of the major drivers promoting entrepreneurship. The large domestic market with high consumer spending as well as good education and training also drives the population to engage in entrepreneurial activities.

## SELECT KEY FINDINGS

- The average Filipino entrepreneur is young, 18–34 years old, and married with at least secondary schooling.
- Filipinos see their country as having an environment conducive to entrepreneurship. Close to 48% of Filipinos see good opportunities to start a business in their environment. Eighty-five percent (85%) consider starting a new business a desirable career choice while 79.27% place high regard on successful entrepreneurs.
- Filipinos are confident that they can start a business. More than half of the population (68.4%) believe that they have the capabilities to start a new business. They also have a very low perception of failure in starting a business.

- Filipinos see entrepreneurship only as income generation opportunities for the owners but not as a job generation activity for the country. Only 0.33% of those engaged in a new business expect to generate more than 19 jobs in the next five years while 1.7% in an established business expect to generate more than 10 jobs in the next five years.
- Businesses in the Philippines are focused mainly on the domestic market. Only 6.65% have more than 75% of their customers outside the country.
- Majority of Philippine businesses, approximately 80%, are engaged in consumer services while approximately 10% are into manufacturing, construction, and other transformative business activities. Most of the products sold are considered new in the country, but many businesses are selling the same products.
- Filipino women have more positive attitudes toward entrepreneurship than men. Fifty-one percent (51%) of women see good opportunities for starting a business compared to 44.51% of men. More women than men also believe that they have the capability to start a business. More men than women have a higher fear of failure from starting a new business. There are more men in the start-up stage of the business while more women are present in an established business.
- Although entrepreneurship is seen as a good career choice, 51% of Filipinos view being a teacher as the most respected career choice. Only few businessmen are seen as role models.
- Filipino entrepreneurs have a higher perceived well-being than the adult population in general. Filipino women entrepreneurs are more satisfied with their work as entrepreneurs than men. Given the flexibility of the time of entrepreneurs, they register higher opportunity and capability to balance demands of work and family life.
- The capacity of Filipinos to start a business, the high regard of Philippine society for successful entrepreneurs, and the large domestic market are main drivers of entrepreneurship in the country. On the other hand, barriers to entrepreneurship are low and difficult access to financial support, unclear and inconsistent implementation of government policies, and the lack of capability of entrepreneurs to grow and sustain the business.


## RECOMMENDATIONS

The interest of Filipinos in starting a business and actual engagement in being an entrepreneur should be supported to improve the rate of enterprises in the established business category and international orientation of Filipino businesses. To achieve this, the following recommendations are proposed:

- There should be a review and evaluation of government policies affecting business formation and support for growing enterprises in order to improve the dissemination of information, consistent implementation of policies, and effective guidance and support given to entrepreneurs. These should be pursued with active involvement of the local government units in the dissemination and implementation of national government policies and legislation concerning entrepreneurship.
- There should be a review and redesign of curriculum in both basic and higher education to develop entrepreneurial skills among Filipino youth. Managerial capacity of entrepreneurs should be developed and enhanced not only through formal education but also through training and workshops.
- The business sector should offer more innovative products to better access capital for growing small and medium enterprises.







**PART 1**  
**The Global Entrepreneurship Monitor  
(GEM) Model**



# 1. INTRODUCTION AND BACKGROUND

## 1.1 The GEM Research Project

The Global Entrepreneurship Monitor (GEM) is the largest study of entrepreneurship participated in by 70 countries as of 2013. It began as a joint venture between the London Business School and Babson College in the United States in 1997. It aims to measure differences in the level of entrepreneurial activity across countries. In addition, GEM seeks to establish the relationship of entrepreneurship to economic growth given the belief that entrepreneurs create new businesses that generate new jobs, new products, and services; intensify competition; increase productivity through innovation and technological change; and impact people's lives in different dimensions. In the last fifteen years, GEM has surveyed close to two million people in 104 economies. GEM research offers policy recommendations for the government, industry, and the academe to better understand and support entrepreneurship for the economic growth and well-being of society.

GEM has set out four objectives:

1. To allow comparisons across the level and characteristics of entrepreneurial-activity among different economies;
2. To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
3. To identify factors that encourage or hinder entrepreneurial activity; and
4. To guide the formulation of effective and targeted policies aimed at stimulating entrepreneurship.

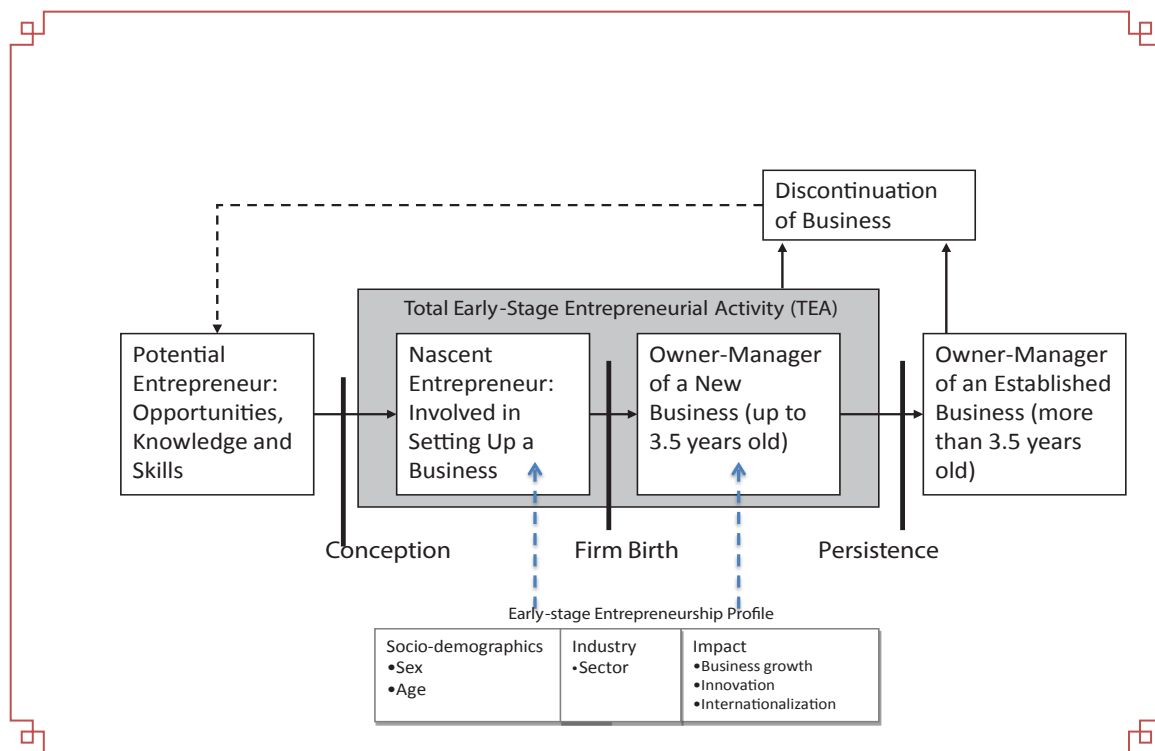
To better understand entrepreneurship and its impact on society, GEM research covers entrepreneurial activity, attitudes, and aspirations. Data on these factors are gathered through the adult population survey (APS) of at least 2,000 individuals aged

## 1.1 The GEM Research Project

18–64 in each of the participating economies. Through the APS, the stages of entrepreneurial activities are identified, together with the motivations, intentions, attitudes, and aspirations of the population regarding entrepreneurship.

The environmental factors that contribute or hinder entrepreneurial activity are called entrepreneurial framework conditions (EFCs) in the GEM framework. Entrepreneurial framework conditions include financial support, general government support, specific regulations, market openness, R&D transfer, entrepreneurship education, and cultural norms and values related to entrepreneurship. Interviews with national experts representing different sectors in the economy were conducted to identify these EFCs.

**Figure 1. The Entrepreneurship Process and GEM Operational Definition**

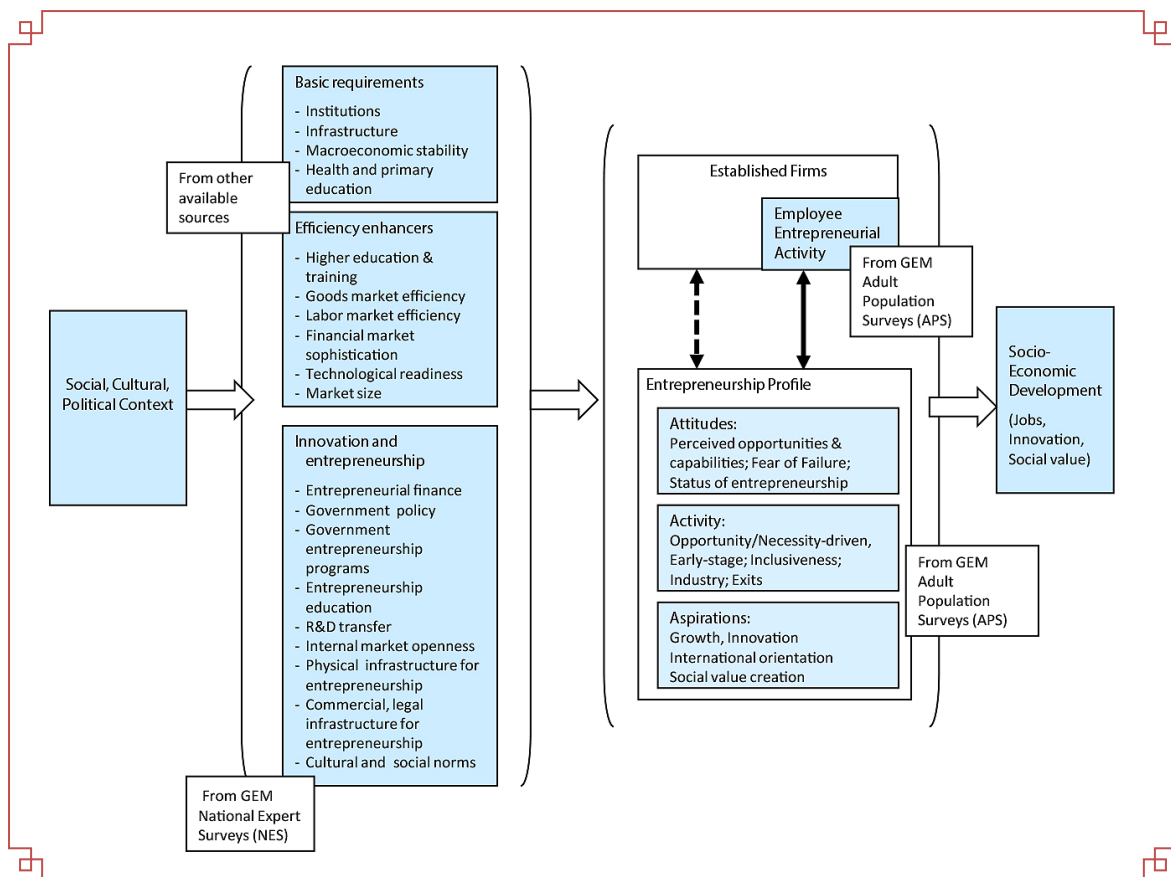


Source: *GEM 2013 Global Report*, p. 19.

## 1.2 The GEM Conceptual Model

The GEM Conceptual Framework is premised on the relationship between entrepreneurship and economic development. The contribution of an entrepreneur to the economy is a function of the stage of entrepreneurial activity, the phase of economic development of the country, and the state of the entrepreneurial framework conditions present in the economy. This relationship is depicted in Figure 2.

Figure 2. The GEM Conceptual Framework



Source: GEM 2013 Global Report, p. 21.

## 1.2 The GEM Conceptual Model

Countries participating in GEM are classified according to the categories used in the World Economic Forum *Global Competitiveness Report 2012–2013*. The classification is based on per capita GDP and how businesses in the economy compete domestically and globally. Entrepreneurship may vary according to a country's level of competitiveness or economic development.

Factor-driven economies compete based on the natural resources available and the presence of low-skilled labor. Businesses compete based on price, but low wages in these countries are often accompanied by low levels of productivity. Competitiveness also depends on the smooth functioning of public and private institutions, well-developed infrastructure, stable macroeconomic environment, and a healthy workforce, all of which are usually found wanting in factor-driven economies.

Efficiency-driven economies are countries that have moved to a higher efficiency production frontier. They have developed more efficient production processes and have increased product quality in order to better compete. The workforce has become productive, leading to increased wages. Competitiveness is supported by a highly skilled population brought about by better education and training, an efficient goods market, more developed financial markets, the ability to use and adapt new technologies, and a growing domestic and foreign market.

Innovation-driven economies sustain their competitiveness by creating of new, highly differentiated products, processes, services, and business models. The sustainable rise in wages and living standards hinges on the creativity and innovation of businesses.

## 1.3 How GEM Measures Entrepreneurship

GEM measures entrepreneurship in two ways. First, by degree of entrepreneurship as determined using three factors inherent to an entrepreneur, namely, entrepreneurial attitudes and perceptions, entrepreneurial activity, and

### 1.3 How GEM Measures Entrepreneurship

entrepreneurial aspirations. Second is by gauging environmental factors that influence entrepreneurship in a particular economy. Together, GEM calls these factors entrepreneurship framework conditions (EFCs).

To determine the level of entrepreneurial aspirations, attitudes, and activity, an adult population survey was conducted among at least 2,000 individuals aged 18–64. The survey collected information on the different phases of entrepreneurial activity from entrepreneurial intention to early-stage entrepreneurial activity up to the point of established business. The entrepreneurial process as well as the operational definition of the different stages of entrepreneurship is depicted in Figure 2. The basic measure of entrepreneurship activity used by GEM is the Total Early-Stage Entrepreneurial Activity Index or TEA. It includes the start-up and the early-stage entrepreneurs (up to 3.5 years in the business) indicating the extent of entrepreneurial engagements in the adult population.

Entrepreneurial attitudes are measured in terms of the motivations to start a business and the risk-taking propensity of the population. Motivation to start a business is classified as either necessity or opportunity driven. Necessity-driven entrepreneurs are those who start a business mainly because there are no other options available to earn a living, while opportunity-driven entrepreneurs are those who exploit and seize the opportunity to increase their income or establish their financial independence.

Entrepreneurship in the GEM framework can be better understood using the different indicators GEM has been using in the past 15 years. These indicators describe entrepreneurial attitudes and perception, activity, and aspirations. Table 1 summarizes these indicators.

Entrepreneurial framework conditions were verified through interviews with at least 36 national experts. These experts were interviewed on the following EFCs:

### 1.3 How GEM Measures Entrepreneurship

financial support, general government support, physical infrastructure, commercial and service infrastructure, specific regulations, market openness, R&D transfer, entrepreneurship education, and cultural norms and values related to entrepreneurship. At least four experts for each of the nine factors were interviewed. A minimum of 25% of these experts had to be entrepreneurs, and 50% had to be professionals.

**Table 1. GEM Indicators of Entrepreneurship**

Indicators	Description
Established Business Ownership Rate (EB)	Percentage of 18- to 64-year-old population who are currently owner-managers of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months
Total Early-Stage Entrepreneurial Activity (TEA)	Percentage of 18- to 64-year-old population who are either nascent entrepreneurs or owner-managers of a new business
New business ownership rate	Percentage of 18- to 64-year-old population who are currently an owner manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 3 months but not more than 42 months
Nascent entrepreneurship rate	Percentage of 18- to 64-year-old population who are currently nascent entrepreneurs, i.e., actively involved in setting up a business they will own or co-own
Total early-stage entrepreneurial activity for female working-age population	Percentage of female population who are nascent entrepreneurs or owner-managers of a new business
Total early-stage entrepreneurial activity for male working-age population	Percentage of male population who are nascent entrepreneurs or owner-manager of a new business
Opportunity-driven entrepreneurial activity: relative prevalence	Percentage of those involved in TEA who claim to be driven by opportunity as opposed to finding no other option for work



Table 1 continued...

Necessity-driven entrepreneurial activity: relative prevalence	Percentage of those involved in TEA who are involved in entrepreneurship because they have no other option for work
New-product early-stage entrepreneurial activity: relative prevalence	Percentage of TEA who indicate that their product or service is new to at least some customers
Growth expectation early-stage entrepreneurial activity: relative prevalence	Percentage of TEA who expect to employ at least five employees five years from now
Entrepreneurial intention	Percentage of population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years
Perceived opportunities	Percentage of 18- to 64-year-old population who see good opportunities to start a business in the area they live in
Perceived capabilities	Percentage of 18- to 64-year-old population who believe they have the required skills and knowledge to start a business
Fear of failure	Percentage of 18- to 64-year-old population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business
High-status successful entrepreneurship	Percentage of 18- to 64-year-old population who agree with the statement that in their country, successful entrepreneurship receives high status
Knows-start-up-entrepreneur rate	Percentage of 18- to 64-year-old population who personally know someone who started a business in the past two years
Entrepreneurship as a desirable career choice	Percentage of 18- to 64-year-old population who agree with the statement that in their country, most people consider starting a business as a desirable career choice
Informal investors rate	Percentage of 18- to 64-year-old population who have personally provided funds for a new business, started by someone else, in the past three years
Media attention on entrepreneurship	Percentage of 18- to 64-year-old population who agree with the statement that in their country, you will often see stories in the public media about successful new businesses

## 2. THE PHILIPPINES AND THE GEM 2013 GLOBAL REPORT

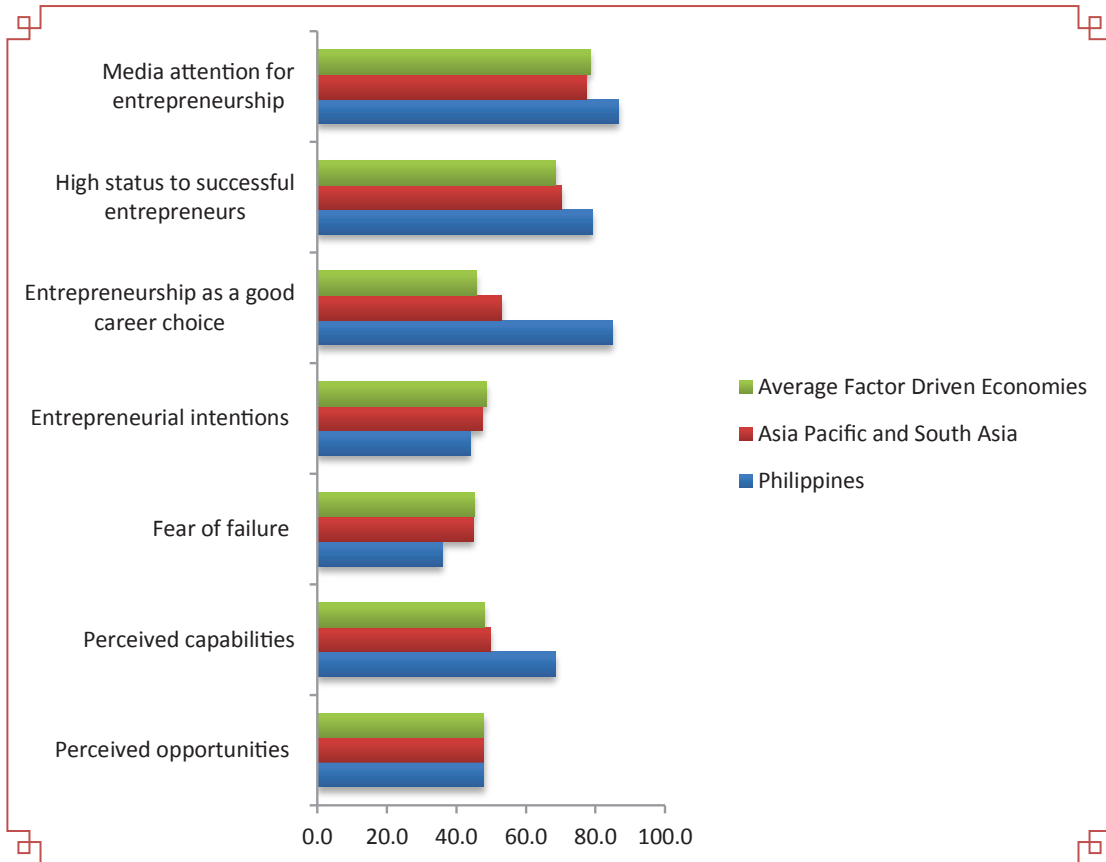
The Philippines joined GEM in 2006 and renewed its participation in 2013. Based on the results of the APS conducted in 2013, Philippine society strongly supports entrepreneurship, seeing it as a good career choice according to entrepreneurs' high status. Despite this, the interim period registered a large reduction in entrepreneurial activity, especially in established businesses; their proportion to total businesses fell to 6.61% in 2013 from 19.72% in 2006. On the other hand, nascent entrepreneurship tripled over the last seven years. This can be a result of the eroding employment opportunities resulting in an increasing unemployment rate in the country. In spite of more Filipinos trying to start a business, perceived entrepreneurial capability and opportunities went down by 6% and 21%, respectively, from 2006 to 2013.

### 2.1 Entrepreneurial Attitudes

The Philippines registered the highest perception of both entrepreneurial opportunities (47.9%) and capabilities (68.4%) among countries in the Asia-Pacific and South Asia regions. It also registered the highest percentage of the population (44.1%) that considers entrepreneurship as a good career choice. Entrepreneurs are respected within Philippine society. Philippine media coverage on entrepreneurship is one of the highest in the region and highest among all ASEAN countries. Filipinos are not afraid to start a business with 39.2% indicating fear of failure, lower than the average for the region.

*“The Philippines registered the highest perception of both entrepreneurial opportunities (47.9%) and capabilities (68.4%) among countries in the Asia-Pacific and South Asia regions.”*

**Figure 3. Entrepreneurial Attitudes and Perception: The Philippines and the World**

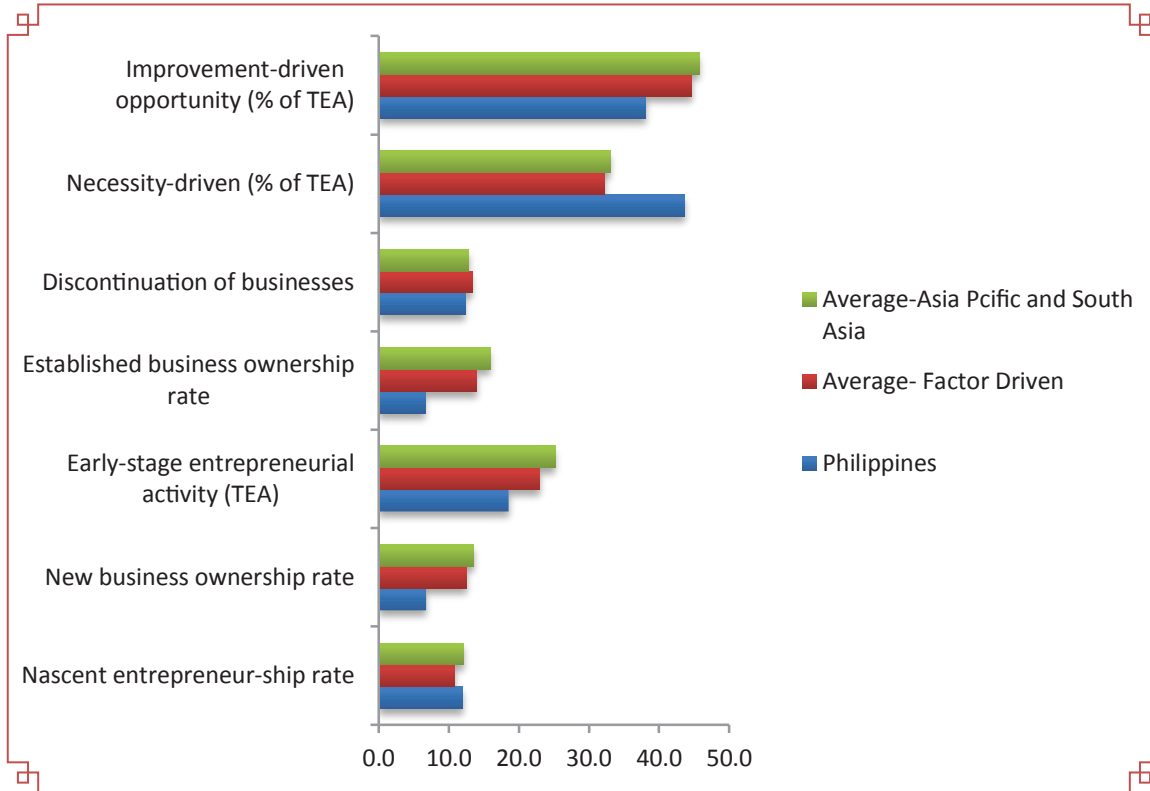


## 2.2 Entrepreneurial Activities

Among countries in the Asia-Pacific and South Asia region, the Philippines leads in nascent entrepreneurship rate (12%) and is second in early-stage entrepreneurial activity. However, the high discontinuance rate of 12.3% has led to a low established business ownership rate. It has a lower TEA rate and established business ownership rate compared to other factor-driven economies. Most entrepreneurs in the Philippines (43.6%) start a business out of necessity in the absence of other opportunities to earn a living.

*“Among countries in the Asia-Pacific and South Asia region, the Philippines leads in nascent entrepreneurship rate (12%) and is second in early-stage entrepreneurial activity.”*

**Figure 4. Entrepreneurial Activity: The Philippines and the World**

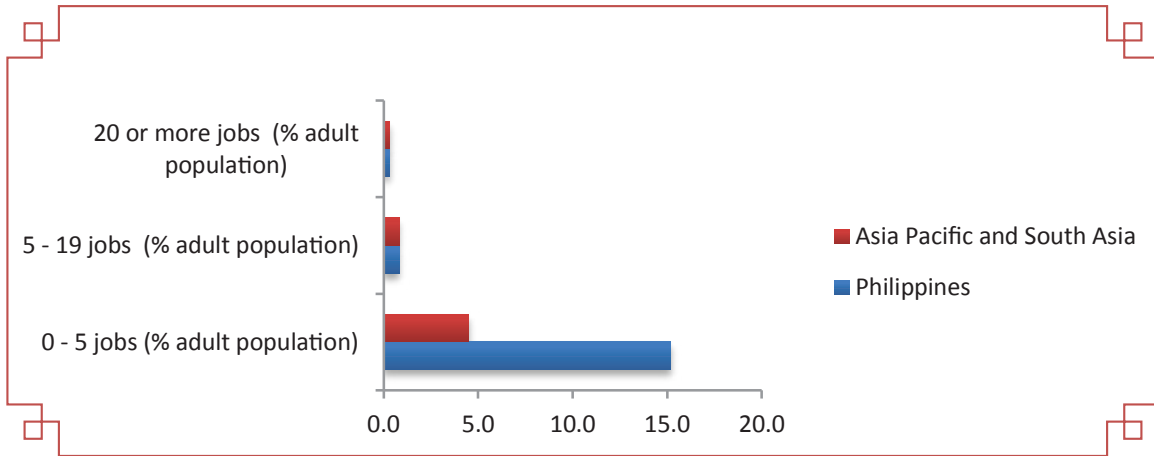


### 2.3. Entrepreneurial Aspirations

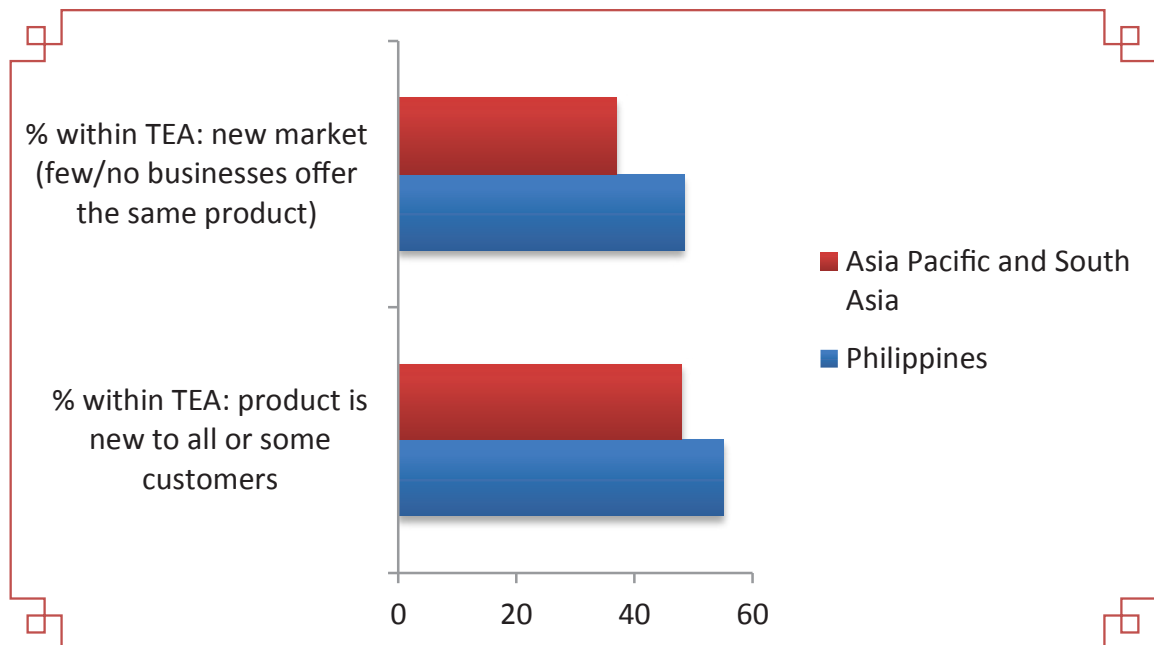
Filipino entrepreneurs are most optimistic about job generation among countries in the Asia-Pacific and South Asia, expecting their businesses to generate anywhere from one to five jobs in the next five years. However, they do not see business growth in terms of jobs created as much as other countries in the region do.

Innovation (in terms of offering products new to customers) of firms in the Philippines is one of the highest in the region. However, many businesses offer the same products. Most Philippine enterprises cater more to the domestic market while only 25% have export activities.

**Figure 5. Job Growth Expectations for TEA**



**Figure 6. Innovation: The Philippines and the Region**



## 2.4. Entrepreneurial Factor Conditions

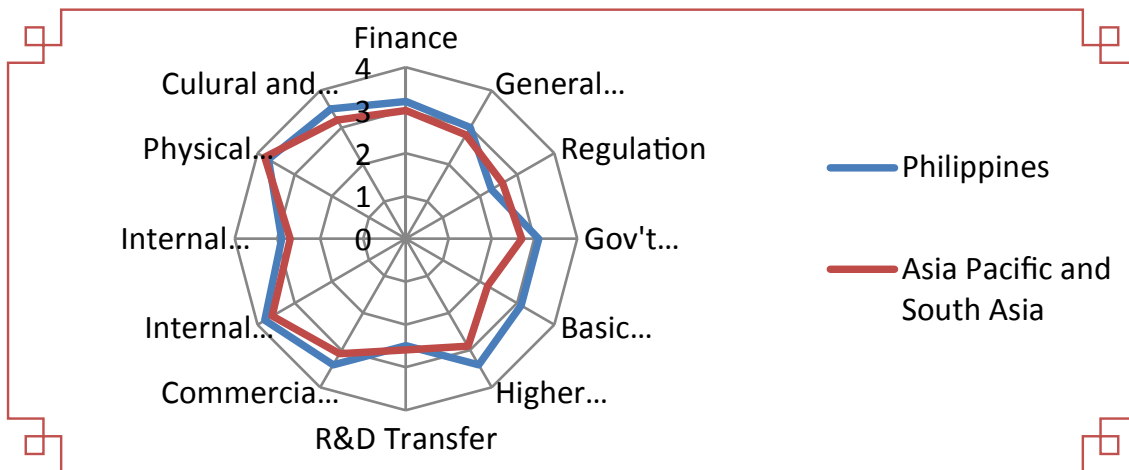
Entrepreneurial framework conditions (EFCs) measure the environmental conditions that support entrepreneurship in the country. Among the nine factors, the Philippines registered highest in internal market dynamics and lowest in national policy or regulation compared to countries in the Asia-Pacific and South Asia. The Philippines has one of the largest populations in the region with a high level of market sophistication, making the domestic market one of the major factors supporting entrepreneurial activity. Compared to countries around the Asia-Pacific and South Asia, the Philippines has similar EFC indicators and has better factor conditions in education in both the basic and higher categories.

*“Among the nine factors, the Philippines registered highest in internal market dynamics and lowest in national policy or regulation compared to countries in the Asia-Pacific and South Asia. The Philippines has one of the largest populations in the region with a high level of market sophistication, making the domestic market one of the major factors supporting entrepreneurial activity.”*

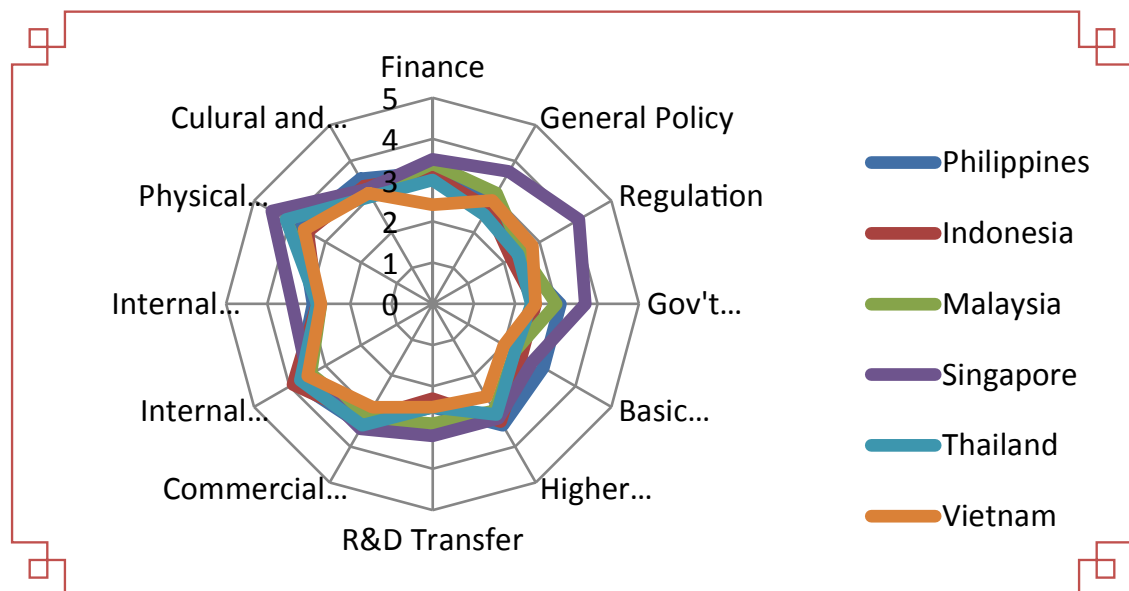
Compared to other factor-driven economies, the Philippines provides a better entrepreneurial environment. As seen in Figure 9 below, the country also compared favorably against the average EFCs of efficiency-driven economies. On the one hand, Philippine infrastructure, commercial infrastructure, and government programs in support of entrepreneurship are almost the same as those in the innovation-driven economies. Given the evaluation of experts of the entrepreneurial factor conditions for the Philippines, we may conclude that there is strong optimism over the prospects for development of entrepreneurship in the country. There is strong support for entrepreneurial activity in terms of market, human capital, and society’s

regard for entrepreneurs. To further support entrepreneurial activity in the country, national policy on entrepreneurship regulation and legislation should be properly disseminated and consistently implemented. Entrepreneurship education should also be formally embedded in the curriculum at both basic and higher levels.

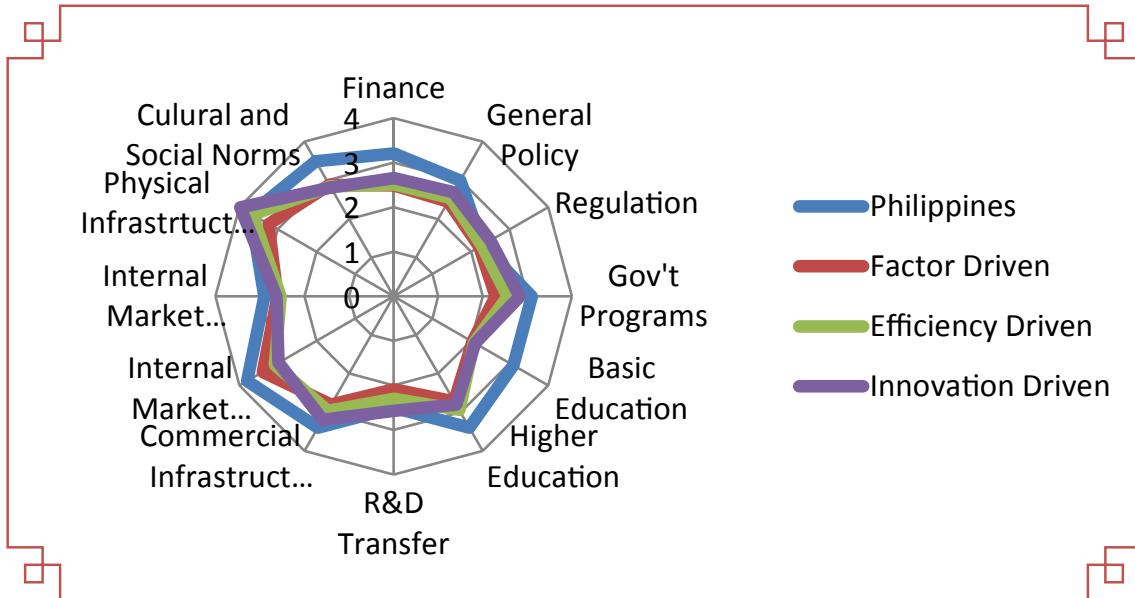
**Figure 7. EFCs in the Philippines and the Asia-Pacific and South Asia**



**Figure 8. EFCs in the Philippines and the ASEAN**



**Figure 9. EFCs in the Philippines and the Different Economies**







**PART 2**  
**Entrepreneurship in the Philippines**



## 1. ECONOMIC PERFORMANCE OF THE PHILIPPINES IN 2013

The growth of the Philippine economy has been noteworthy in the past three years. In 2013, the economy exceeded expectations as it posted a 7.2% growth despite the devastation brought about by the Zamboanga crisis and natural calamities. The upward trend in the demand side was driven by consumer spending and domestic investment; on the other hand, the main growth factor for the supply side was the services sector. Consumer spending stood at 5.6%, lower than the previous year's 6.6%. Spending on utilities had the highest growth rate with 6.9%. Other top contributors to growth were expenditures on food and nonalcoholic beverages at 5.5% and miscellaneous goods and services at 6.9%. Similarly, domestic investment posted an impressive growth. Driven by high demand in the real-estate sector and public construction, domestic investment grew at a rapid rate of 18.2% from a -3.2% growth the previous year. Although the growth rate of construction slowed down in the latter half of the year, the durable equipment subsector made up for the decline with rapid double-digit growth starting in the third quarter.

On the supply side, the services sector had the highest growth. By the end of 2013, the services sector reportedly had a 7.1% growth compared to 7.6% the previous year. The sector remained the main driver of supply-side growth and had been the consistent driver in all four quarters. The subsector financial intermediation grew the most with a 12.4% growth. Another sector that contributed to the growth is the industry sector. It registered robust expansions in the manufacturing and construction subsectors. Gaining momentum from the final quarter of 2012, the industry sector grew 9.5% in 2013. The strong performance of the manufacturing and construction subsector exceeded the previous year's growth of 6.8%. According to the BSP annual report, growth in

## 1. ECONOMIC PERFORMANCE OF THE PHILIPPINES IN 2013

the manufacturing sector was supported by the positive performance of the following subsectors: chemicals, fixtures and furniture, communication equipment, and beverage industries. On the other hand, construction posted double-digit growth rates due to the favorable business environment.

Despite the performance of the economy, the unemployment rate remains a concern. The latest unemployment figures for the year 2013 revealed that there were more people who were unemployed compared to the previous year. As of July 2013, the unemployment rate was at 7.3%, higher than last year's 7.0%. Based on the Labor Force Survey, most of the unemployed were males (62.1 %), were high school graduates (32.7%), and belonged to the age group of 15 to 24 years old (48.8%). The National Capital Region had the lowest employment rate of 89.1%. Given fewer standard job opportunities present in the country, the population is beginning to see entrepreneurship as an alternative to earn a living.

*“As of July 2013, the unemployment rate was at 7.3%, higher than last year's 7.0%. Based on the Labor Force Survey, most of the unemployed were males (62.1 %), were high school graduates (32.7%), and belonged to the age group of 15 to 24 years old (48.8%).”*

Business in the Philippines is dominated by micro, small, and medium enterprises (MSMEs) totaling 816,759 establishments as of 2011. MSMEs comprised more than 99.6% of all registered establishments in the Philippines.<sup>1</sup> Ninety percent (90.6%) of business establishments are micro industries, while 59% are engaged in wholesale and retail. Small enterprises account for 8.6% while medium-sized

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<sup>1</sup> From DTI statistics, 2012.

establishments account for 0.4%. On the other hand, only 3,496 or 0.4% are classified as large organizations, of which 43% are in the manufacturing sector.

Given the economic performance of the Philippines, the country's unemployment rate, and the dominant presence of micro, small, and medium enterprises, it is interesting to find out the state of entrepreneurship and the environmental factors that propel or retard its growth and development.

## 2. PHILIPPINE ENTREPRENEURSHIP PROFILE

For 2013, Philippine entrepreneurship was studied through the adult population survey (APS) conducted using the Global Entrepreneurship Monitor framework. The survey includes questions on demographics, status of the business, business relations, entrepreneurial employment activity, information about network, innovation, registration, and well-being.

The APS was conducted by TNS Philippines, a multinational market research company based in the Philippines that specializes in national surveys. The survey interviewed 2,500 respondents representing all 17 regions of the country over the months of September to October 2013. The questionnaire was also translated into Filipino, and face-to-face interviews were conducted in either English or Filipino. To ensure that the sample was representative, area-stratified probability sampling was used. The sample was stratified by gender and population group, then by region and community size. Demographics of the APS respondents are presented in Table 2.

## 2. PHILIPPINE ENTREPRENEURSHIP PROFILE

**Table 2. Demographics of 2013 Philippine APS Respondents**

Demographic Variable (Unit)	Value
Average Age (Years)	35.91
Average Annual Income(Philippine Pesos)	112,590
Average Household Size (Number of Persons)	5
Gender (%)	
Male	49.52
Female	50.48
Educational Attainment (%)	
Elementary	23
High School	43
Postsecondary/Vocational	15
College/Postgraduate	3
Civil Status (%)	
Never Married	26
Married	59
Others (Live-In/Divorced/Widow)	15
Source of Income (%)	
Employment	50
Owns a Business	22.1
Unemployed	26
Preferred Source of Income (%)	
Employment	31.2
Own a Business	68.7
Classification of Community (%)	
Urban	53
Rural	37
Semi-Urban	10

## 2.1. Attitudes and Perceptions

Filipinos have a very positive outlook on entrepreneurship. They see their country as a land of opportunities given that close to half (48%) of all respondents see good opportunities for entrepreneurship, a figure that ranks highest among countries in the Asia-Pacific and South Asia. More than half (68%) have the confidence that they have the capabilities and skills required to start a business. Filipinos rate themselves highest in the region in terms of the ability to start a business. They likewise display a low fear of failure (39%) in venturing into business.

*“Filipinos rate themselves highest in the region in terms of the ability to start a business. They likewise display a low fear of failure (39%) in venturing into business.”*

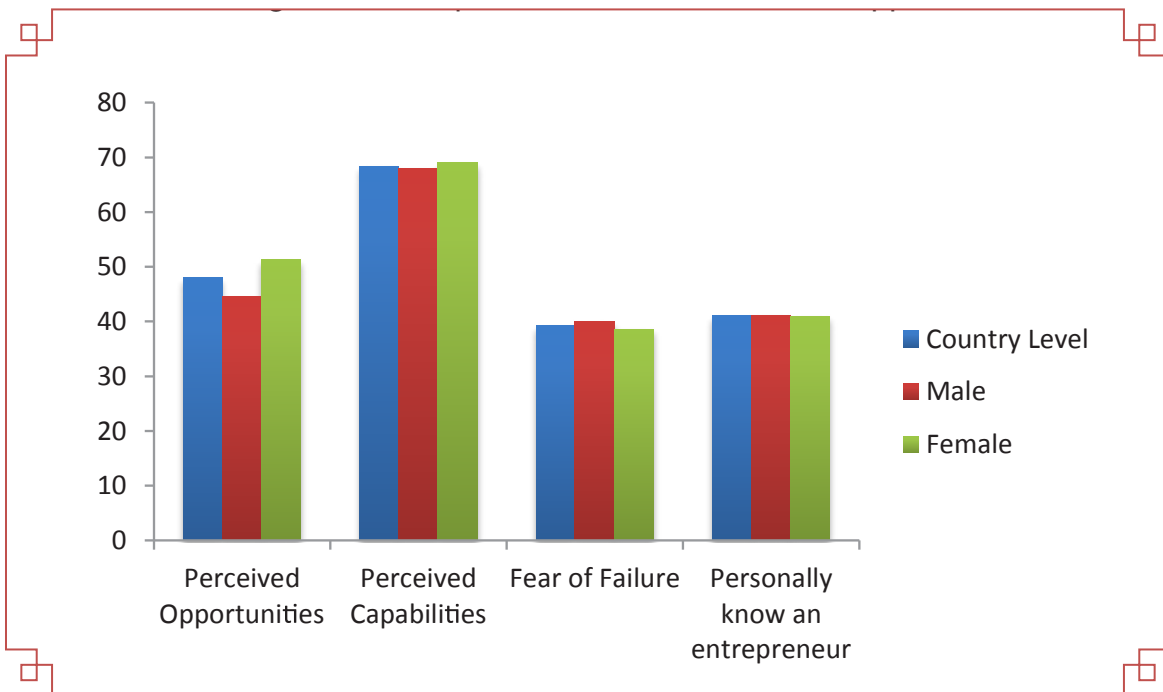
Not surprisingly, there appears a very high intention (44.1%) to start a business among Filipinos. This may be an outcome of a highly positive perception (68.4%) of business opportunities present in the country coupled by few available traditional wage-earning jobs. This may also indicate that people believe that they have the capabilities to start a business leading them to have a low fear of failing in their business start-ups. Given the optimistic view of Filipinos on entrepreneurship, 85% consider becoming an entrepreneur as a good career choice. Successful entrepreneurs are also highly regarded in the country as evidenced by strong media coverage.

Results of the APS on entrepreneurial attitudes show a high percentage of entrepreneurial intention. Forty-four percent of Filipino respondents expect to start a business within three years. APS results also showed a high percentage in Filipinos' perceived capabilities, a high status for successful entrepreneurs, and media attention on successful entrepreneurs. Almost half of the respondents

## 2.1. Attitudes and Perceptions

agree that there are opportunities within their location to start a business, and more than half believe that they have the necessary skills and capability to start entrepreneurial activities. Results indicate that Filipinos are not afraid to fail when starting a new business. Filipinos have a high regard for entrepreneurs and consider entrepreneurship as a good career choice. There is also good media support for entrepreneurship.

**Figure 10. Entrepreneurial Attitudes in the Philippines**



**Table 3. Entrepreneurial Perception in the Philippines**

Intentions	% of Total Respondents
Entrepreneurial intentions (respondents expect to start a business in three years)	44.1
Entrepreneurship as a good career choice (entrepreneurship is preferred over employment)	84.8
High status for successful entrepreneurs	79.2
Media attention on successful entrepreneurs	86.7



## 2.2. Activities

The Philippines has a high rate of entrepreneurship activity. Around 7% (6.6%) of the adult population are established business (EB) owners, and 18.5% are in early-stage entrepreneurship (TEA), higher than the region's average of 12%. On the other hand, the rate of business discontinuance is triple the regional average of 4%. Poor profitability and lack of access to capital are two primary reasons for business closures. More males start businesses, but more females are established business owners.

*“Around 7% (6.6%) of the adult population are established business (EB) owners, and 18.5% are in early-stage entrepreneurship (TEA), higher than the region's average of 12%.”*

**Table 4. Stages of Entrepreneurial Activity in the Philippines**

<b>Entrepreneurial Stage</b>	<b>% of APS Respondents</b>
Nascent Entrepreneurship Rate	12
New Business Ownership Rate	6.73
Early-Stage Entrepreneurial Activity (TEA)	18.5
Established Business Ownership Rate	6.61
Discontinuance of Business	12.3
Necessity Driven (% TEA)	43.6
Improvement Driven (% TEA)	38

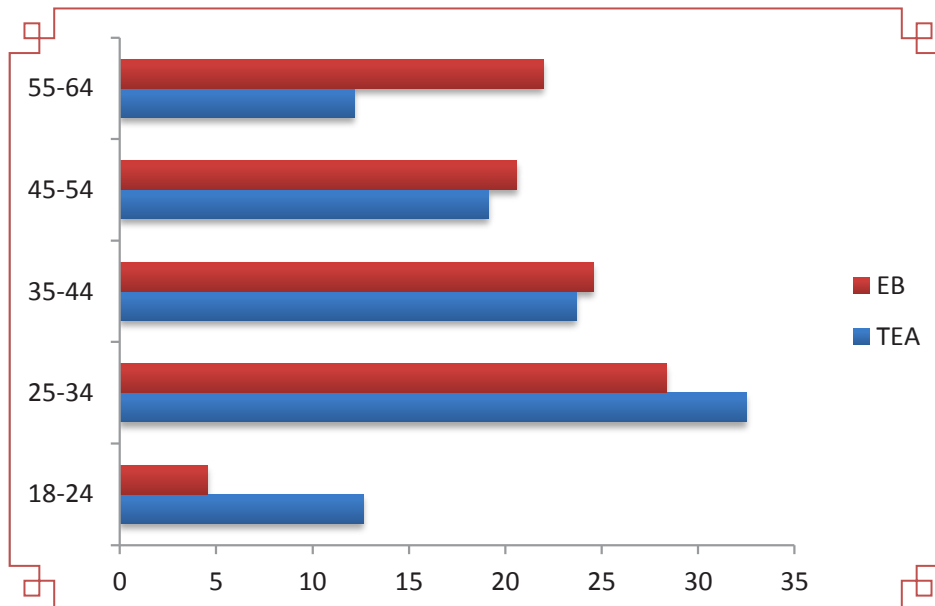
**Table 5. Involvement in Entrepreneurial Activity, by Gender, 2013**  
 (% of Total APS Respondents)

Entrepreneurial Stage	Male	Female
TEA	10.06	17.99
Established firm owner/manager	5.48	7.71

Filipinos engage in early start-ups at a young age. Close to 45% of all those involved in TEA are in the age group of 18 to 34 years. The Filipino youth are actively involved in entrepreneurial pursuits. On the other hand, close to 65% of those in established business are between 35 and 64 years, evenly distributed within specific age brackets. Since Filipinos start young in setting a business, most (28.34%) are in the established business in the age group of 25 to 30 years.

*“Filipinos engage in early start-ups at a young age. Close to 45% of all those involved in TEA are in the age group of 18 to 34 years.”*

**Figure 11. Age Group Involvement in TEA and EB**



## 2.2. Activities

Entrepreneurs in the start-up phase are mostly high school graduates. Business start-ups are also being initiated by Filipinos with college and graduate degrees. Around 10% of Filipinos in established businesses have college and postgraduate degrees. Entrepreneurs in the Philippines in TEA and EB are equally distributed within the different household income levels. Being financially independent and improving one's income are two primary motivations of Filipinos considering entrepreneurship. A little over 10% see entrepreneurship as an avenue to increase one's income. More males in TEA are driven by opportunity compared to females. On the other hand, more females start a business due to necessity.

**Figure 12. Educational Attainment of Filipino Entrepreneurs**

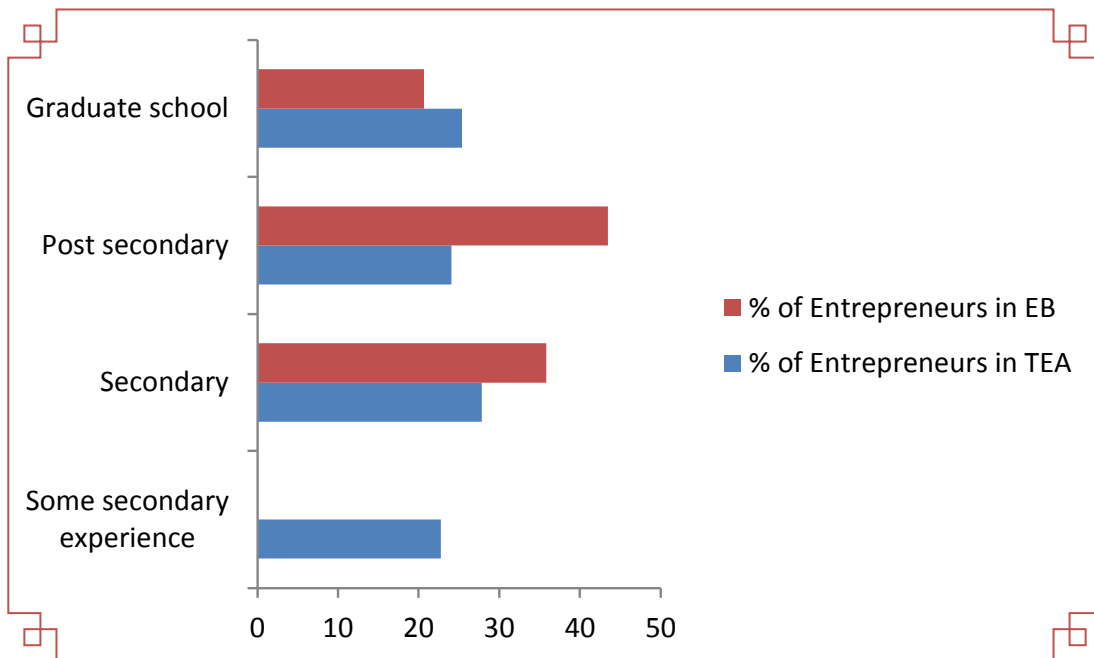
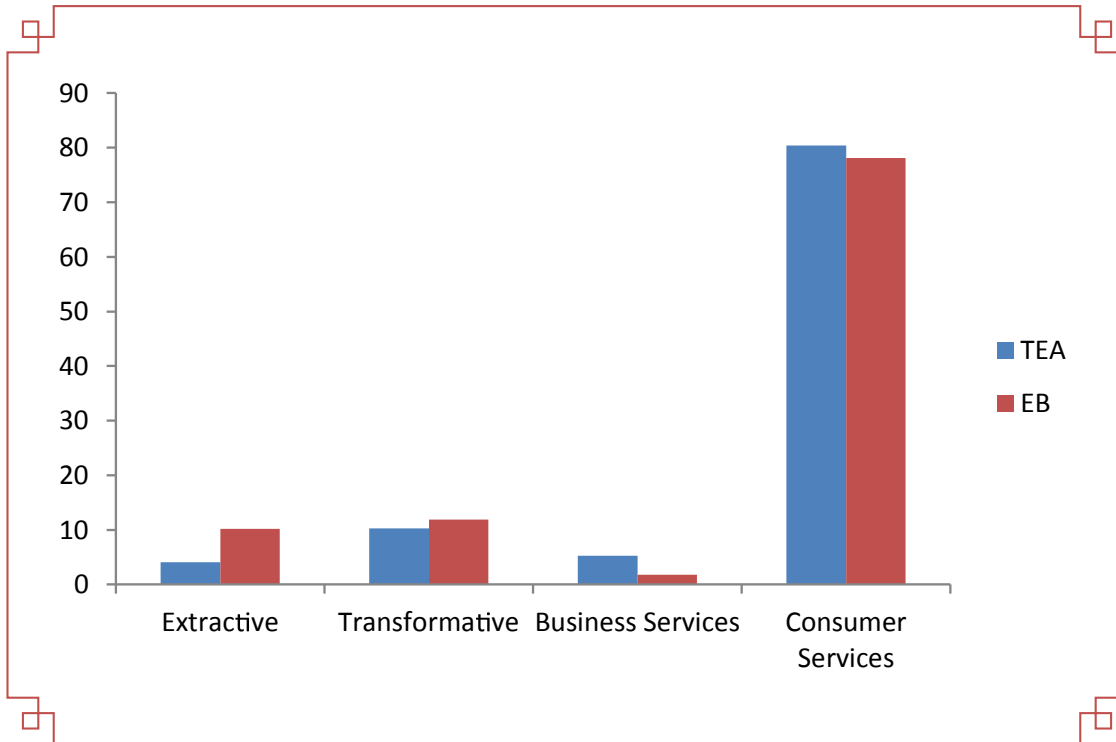


Figure 13. Types of Business of Filipino Entrepreneurs



## 2.2. Activities

Filipino entrepreneurs proliferate in consumer services in both early-stage and established businesses. Consumer services include retail, motor vehicles, lodging, restaurants, personal services, health, education and social services, and recreational services. More EBs than TEAs are engaged in extractive and transformative businesses. On the other hand, there are more TEAs in the business services rather than established businesses.

Although Filipinos have high positive attitudes and intentions toward entrepreneurship and a high perception on their abilities to start a business, business closure in the Philippines is the highest in the region with 12% of all respondents having experienced discontinuing their businesses. The primary reasons for business closure are profitability problems and difficulty in accessing capital. Poor business performance leading to business losses can be traced to the lack of entrepreneurial and management

## 2.2. Activities

skill. Although many start a business, most lack the ability to manage it for growth and sustainability coupled with the lack of funds to support working capital requirements and business expansion.

*“Although Filipinos have high positive attitudes and intentions toward entrepreneurship and a high perception on their abilities to start a business, business closure in the Philippines is the highest in the region with 12% of all respondents having experienced discontinuing their businesses. “*

**Table 6. Reasons for Business Closure**

Reasons	% of Respondents
Business not profitable	33.37
Personal reasons	27.95
Problems in financing the business	27.25
Opportunity to sell the business	3.88
Consequence of a single event	2.54
Another job or business opportunity	2.3
Planned exit	0.4
Retirement	0

## 2.3. Aspirations

Entrepreneurial aspirations are measured in GEM through the growth, innovative, and international orientation of the business. Growth orientation refers to the propensity to create more jobs for the economy while innovative orientation refers to the creation of new products as well as the discovery and exploration of new markets. International orientation refers to the tapping of foreign markets.

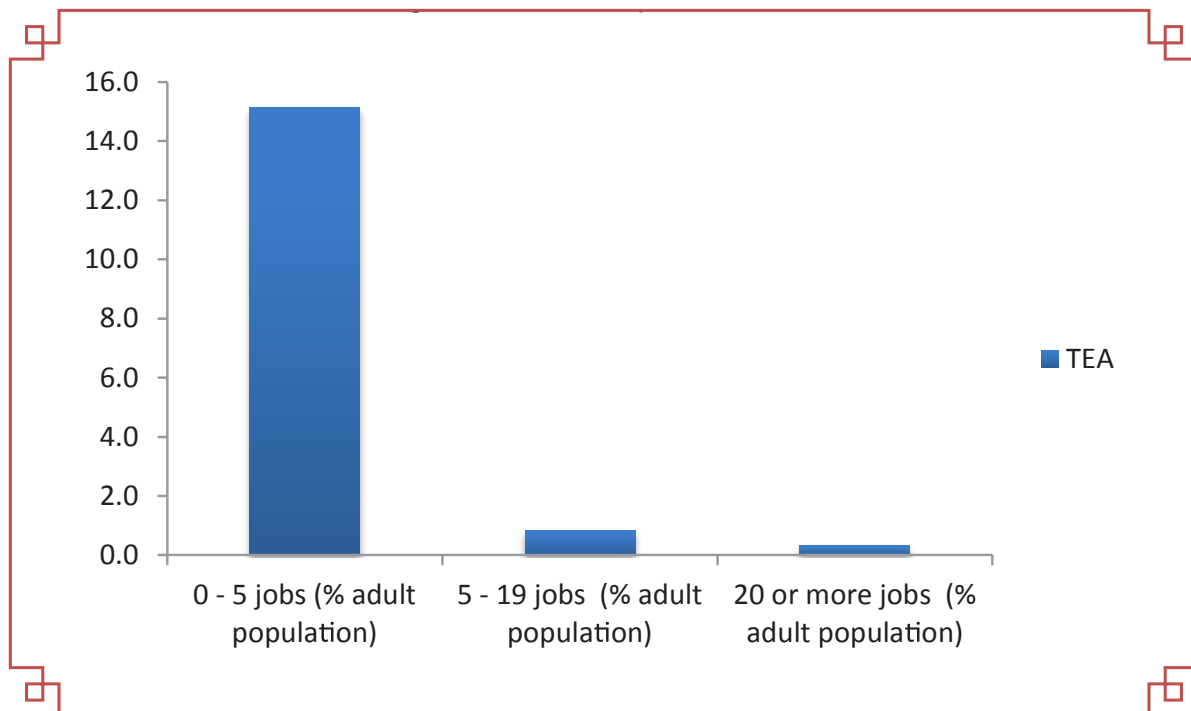
Majority (55.1%) of start-up firms in the Philippines offer new products while 48.38% tap new markets for the

### 2.3. Aspirations

product or service they offer. However, firms generally do not see this growth in terms of job generation within the next three years. Only 15.3% of those within TEA expect to have at most five employees after five years of business operations while 0.8% and 0.3% expect to have 5–19 jobs and more than 20 jobs generated within the next five years. Only 1.7% of those within EB expect 10 or more jobs created within the next five years.

*“Only 15.3% of those within TEA expect to have at most five employees after five years of business operations while 0.8% and 0.3% expect to have 5–19 jobs and more than 20 jobs generated within the next five years. Only 1.7% of those within EB expect 10 or more jobs created within the next five years.”*

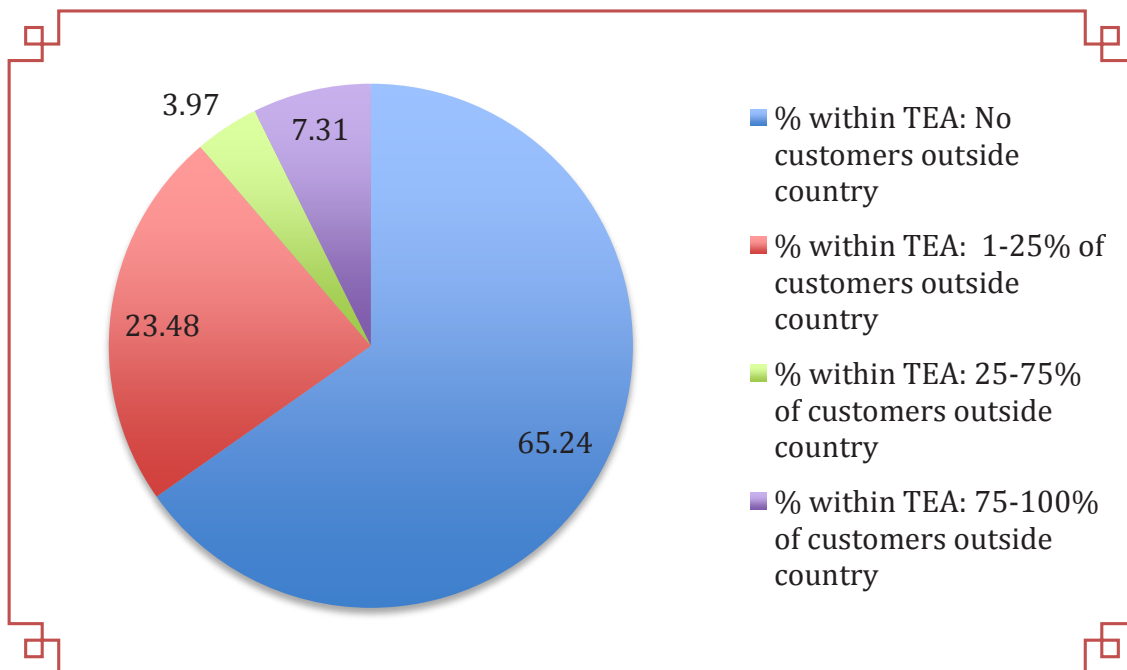
Figure 14. Job Expectation for TEA



### 2.3. Aspirations

Philippine enterprises likewise exhibit weak international orientation. Only 11.28% of early-stage entrepreneurs cater to foreign markets (more than 25% of all customers are outside the country) while 34.76% have at least one customer outside the country. More than half of all early-stage entrepreneurs sell exclusively to the domestic market.

Figure 15. International Orientation of Philippine TEA



## 3. PRACTICE OF ENTREPRENEURSHIP IN THE PHILIPPINES

### 3.1. Registration

Almost 90% (89.9%) of Filipino entrepreneurs surveyed are not registered with the Securities and Exchange Commission as most are single proprietors. In such cases, registration is only with the local government and the Department of Trade and Industry. A significant portion of entrepreneurs have only one employee: the entrepreneur himself or the business owner.

### 3.2. Business Relations and Networks

This section deals with the various business relations and networks that early-stage entrepreneurs or TEA, owner-managers, and potential entrepreneurs and discontinuers maintain in the Philippines. Business relations focus on external relationships in order to achieve a particular business outcome, from conceptualization to production and sales of goods and services, while business networks deal with the people or organizations that the nascent, potential, and current entrepreneurs, as well as discontinuers, have received advice from.

**Table 7. Business Relations of Philippine Entrepreneurship  
(% of TEA/EB Working With Other Enterprise)**

<b>Business Relations With Other Firms</b>	<b>TEA</b>	<b>EB</b>
Produce goods and services	60.54	7.83
Procure supplies	60.41	11.5
Sell products/services	6.62	16.63
Create new products/services	—	11.18
Make business more effective	57.97	5.6

Majority of TEAs work with other enterprises on the production and procurement of goods and services, but only close to 10% for established business do the same. On the other hand, there are more established businesses that work with other firms in selling products or services. Majority of start-ups (57.97%) link with other organizations to make their business more successful.

The network of Filipino entrepreneurs is comprised mainly of spouses, relatives, friends, customers, and suppliers. Filipino entrepreneurs seek advice mainly from their spouses or life companions, parents and other family members, and friends. They also indicate having sought advice from a customer, and less than half have received advice from somebody with more business experience. Close



to 30% of respondents admit having received advice from a supplier. There are very few respondents who have sought advice from accountants and somebody who has come from abroad and fewer respondents who have asked for advice from a bank or public advising services for business or firms they collaborate with. Data further show nascent entrepreneurs have never asked advice from a researcher or inventor, a lawyer, and a competitor.

*“The network of Filipino entrepreneurs is comprised mainly of spouses, relatives, friends, customers, and suppliers.”*

**Table 8. Networks of Filipino Entrepreneurs (%)**

Sources of Advice	TEA	Established Business	Potential Entrepreneurs and Discontinuers
Spouse or lifetime companion	72.73	72.22	44.44
Other family or relatives	86.36	55.56	62.96
Friends	86.36	72.22	18.52
Work colleagues	18.18	11.11	7.41
Current Supervisor	13.64	5.56	7.41
Somebody from another country	18.18	—	25.93
Somebody starting a business	22.73	27.78	33.33
Somebody with business experience	45.45	27.78	33.33
Researcher/inventor	—	—	3.7
Possible investor	13.64	27.78	22.22
Bank	4.55	—	—
Lawyer/accountant	9.09	—	—
Public advising services	4.55	5.56	3.7
Supplier	31.82	27.78	—
Customer	59.09	38.89	14.81

### 3.2. Business Relations and Networks

A majority of potential entrepreneurs and discontinuers have received advice from other family members and relatives (62.96%) and parents (55.56%). Less than half have consulted their spouse or life companion (44.44%), a customer (38.89%), and somebody who is starting a business and somebody with much business experience (both at 33.33%). A quarter of the respondents (25.93%) received advice from somebody in another country, and less than a quarter of the respondents (22.22%) received such from a possible investor. Less than 20% have received advice from their friends (18.52%), somebody who has come from abroad and a customer (both at 14.81%), and a firm that they collaborate with (11.11%). Less than 10% have received advice from current work colleagues and current boss (both at 7.41%) or a researcher or inventor and a public advising services for business (both at 3.70%). None of the respondents have received advice from a bank, a lawyer, an accountant, a supplier, or a firm that they compete with.

### 3.3. Entrepreneurial Employee Activity

Entrepreneurship is a phenomenon that can occur in different organizational contexts as a result of the entrepreneurs' need to build a team with complementary skills and talents. Employees can also engage in an entrepreneurial undertaking called entrepreneurial employee activity (EEA). Previous GEM reports measured EEA according to broad and narrow definitions (*GEM Caribbean Regional Report, 2011*). The broad definition included all the employees who, in the past three years, were actively involved in leading roles developing ideas as well as those employees taking leadership roles in the preparation and implementation of these ideas. The narrow definition refers only to employees who are currently developing entrepreneurial activity within the business.

Employee entrepreneurial activity in the Philippines is low. Only 6.2% of those working full-time and 11.64%

of those working part-time are involved in new activity development for the firm they are working with. A minimal 1.38% (full-time) and 2.59% (part-time) take lead roles in idea development, preparation, and implementation. The low EEA in the Philippines can be attributed to the low level of innovation among firms in the country as a result of low international orientation of Philippine businesses.

*“Employee entrepreneurial activity in the Philippines is low. Only 6.2% of those working full-time and 11.64% of those working part-time are involved in new activity development for the firm they are working with.”*

**Table 9. EEA Indicators in the Philippines (% of Employed Respondents)**

<b>Indicators/Employment Status</b>	<b>Full-Time</b>	<b>Part-Time</b>
Idea development	7.59	14.22
Lead role in idea development	1.38	2.59
Lead role in preparation and implementation	1.38	2.59
Involvement in new activity in the last three years	6.2	11.64

#### **4. YOUTH ENTREPRENEURSHIP**

The population of the Philippines is young with nearly 70% aged below 30 years and with an average age of 23.4 years as of 2010. The youth also accounts for the largest portion of the unemployed with 80% or 2.3 million of 3 million unemployed Filipinos. Majority (59%) have not used the computer, but for those who use the Internet, its use is mainly for social networking and listening to music. When asked how often they update themselves on news and current affairs, most (79%) answered that they do it daily through television (92%) and radio (43%).

## 4. YOUTH ENTREPRENEURSHIP

The Philippine APS documents the perceptions of the population on youth entrepreneurship with respect to doing business in the country, entrepreneurship as a career, intentions to pursue business, resources, and government programs that support entrepreneurship. It is worth noting how entrepreneurship can help the youth become a more productive sector in society.

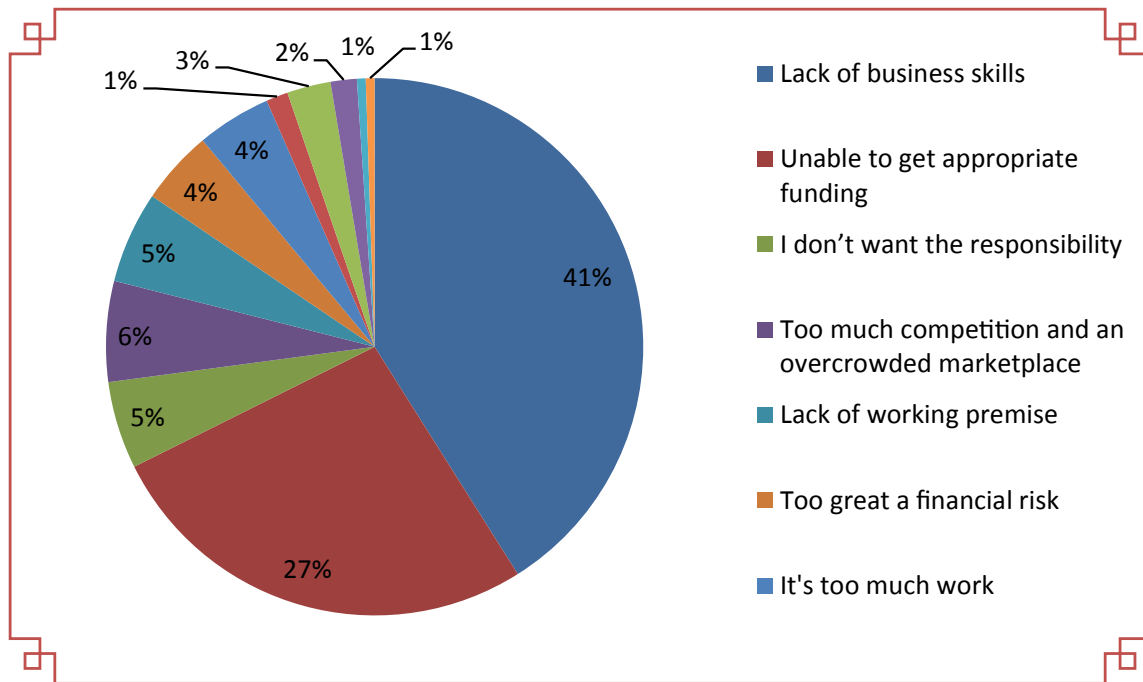
Although perception of entrepreneurial opportunities is high in the Philippines, 43% of the respondents said that being an entrepreneur is difficult in the Philippines. The two biggest barriers young entrepreneurs face are their lack of business skills and access to funds to start the business. Most of the respondents did not have ample knowledge in launching a business. Less than 33% of the total respondents had good knowledge of coming up with a business idea, starting a business, and getting products and services to the market. Similarly, less than one-third of the total respondents had good knowledge of the different business functions such as drawing up a budget (32% of the respondents), maintaining financial records (28%), and hiring employees (20%).

Majority of the respondents (69%) do not perceive any negative effect of being young entrepreneurs. However, more than 40% of the respondents believed that, to some extent, young entrepreneurs encounter hindrances that affect their chances of being successful such as not being taken seriously by clients, having inadequate skills and formal training in their area of operation, and being suspected of being an unethical business person.

*“The population of the Philippines is young with nearly 70% aged below 30 years and with an average age of 23.4 years as of 2010.”*

## 4. YOUTH ENTREPRENEURSHIP

Figure 16. Barriers Young Entrepreneurs Face

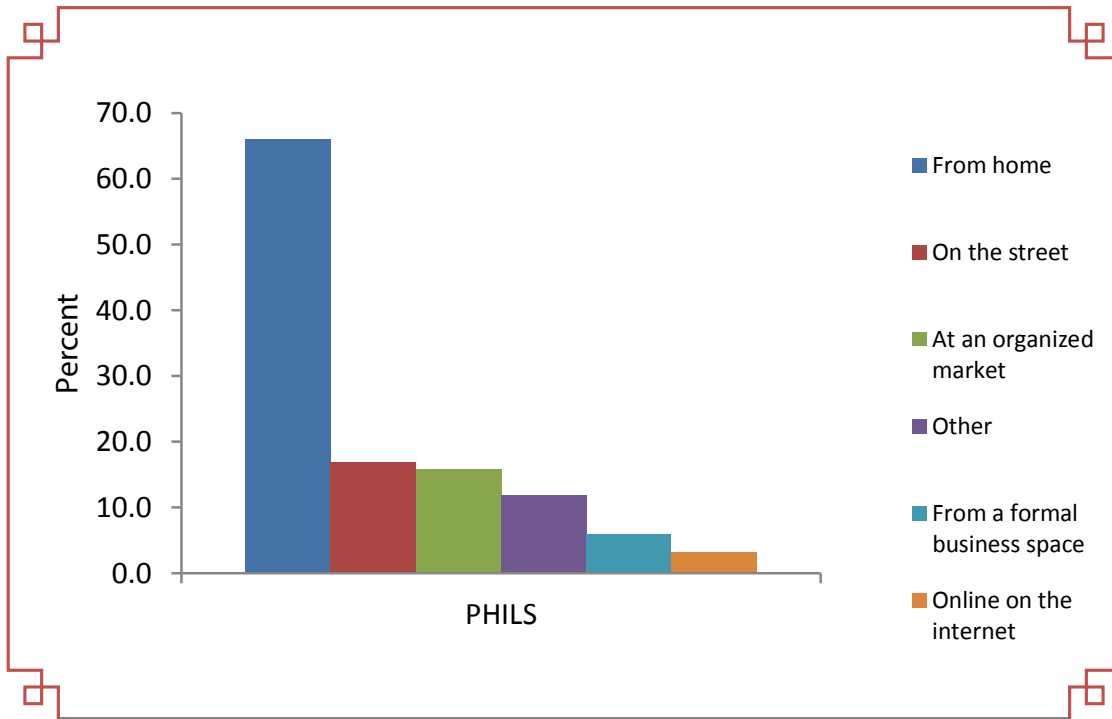


Although respondents bear a positive attitude towards entrepreneurs, being a teacher is the most respected profession in the country, as viewed by 51% of the respondents. Only a few view businessmen in the Philippines as role models while most of the respondents see politicians or personalities in sports and in entertainment like movies and television programs as their role models. As a result, majority of the respondents (43%) could not identify or recall any prominent businessman.

Given the lack of access to capital, it is not surprising that most of the respondents answered home as the location of their business (66%). This does not entail capital expense and does not need government permits to conduct business transactions. The others answered that their business location is on a street (17%), and only 15% said that it will be in an organized market.

## 4. YOUTH ENTREPRENEURSHIP

Figure 17. Preferred Business Location



When it comes to the possible motivations of young adults to put a business, 36% somewhat agreed that it is more difficult for young adults to start a business than an older person. More than 40% somewhat agreed that most young adults who have started their own business did so because they could not find a job and that most young adults start their own business and had to work too hard for little money. More significantly, it was found that 37% of the respondents somewhat agreed that young women's primary responsibility should be to start and maintain a family.

As regards the requisites to earn a living, majority (69%) answered that having a business would be the best way to earn a living followed by working in the government (8%). However, having access to funding can be an important

factor in encouraging them to start a business. Majority (80%) also said that young entrepreneurs face the same challenges as older ones. Majority (58%) also answered that lack of business skills may be a common characteristic among young entrepreneurs, followed by a large number (38%) who somewhat agreed that earning a good living requires obtaining a good formal education, and about 46% of the respondents concurred that even with a good education, it is difficult to earn a decent living.

In starting a business, majority (65%) answered that the main source for starting a business would be family and friends. When asked how much is needed for a small to medium business, the most frequent answer was Php 10,000. In terms of one's personal financial situation, majority (52%) answered that they have a debt to pay off, 79% answered that they have a family to support, and 73% answered that they do not have assets/savings.

When asked about their knowledge of government programs for young entrepreneurs, there was near unanimity (97%) in expressing a lack thereof. The very few who answered yes mentioned a government agency (likely TESDA), but most could not recall the government agency name.

## 5. ENTREPRENEURSHIP AND WELL-BEING

Entrepreneurship has always been considered as a wealth creation mechanism with its impact measured in terms of job generation and GNP growth. Until recently, focus on well-being, life satisfaction, and work-life balance has been incorporated in entrepreneurship studies to better contribute to the formulation of policies that will contribute to the total development of an individual and the social aspects of entrepreneurship. In the 2013 GEM adult

## 5. ENTREPRENEURSHIP AND WELL-BEING

population survey, the well-being of entrepreneurs and the population has been included as a special topic.

The GEM APS measures well-being using the Satisfaction With Life Scale (SWLS; Pavot and Diener, 2008). The following questions were asked using a five-point Likert scale, from 1 (Strongly Disagree) to 5 (Strongly Agree):

1. In most ways, my life is close to my ideal.
2. The conditions of my life are excellent.
3. I am satisfied with my life.
4. So far, I have obtained the important things I want in life.
5. I could live my life again, I would not change anything.

The 2013 GEM APS revealed that Filipinos have lower than the average standardized well-being compared to other nationalities in the Asia-Pacific and South Asia region. This can be due to the reasons that most Filipinos choose to become entrepreneurs out of necessity and the lack of job opportunities in the country. In the Philippines, entrepreneurs have a higher perception of their subjective well-being than the population in general. Early-stage entrepreneurs have higher perceived subjective well-being than established entrepreneurs. Women have higher perception of their well-being than men in both the start-up stage and established business category.



## 5. ENTREPRENEURSHIP AND WELL-BEING

Figure 18. Filipinos' Perceived Well-Being

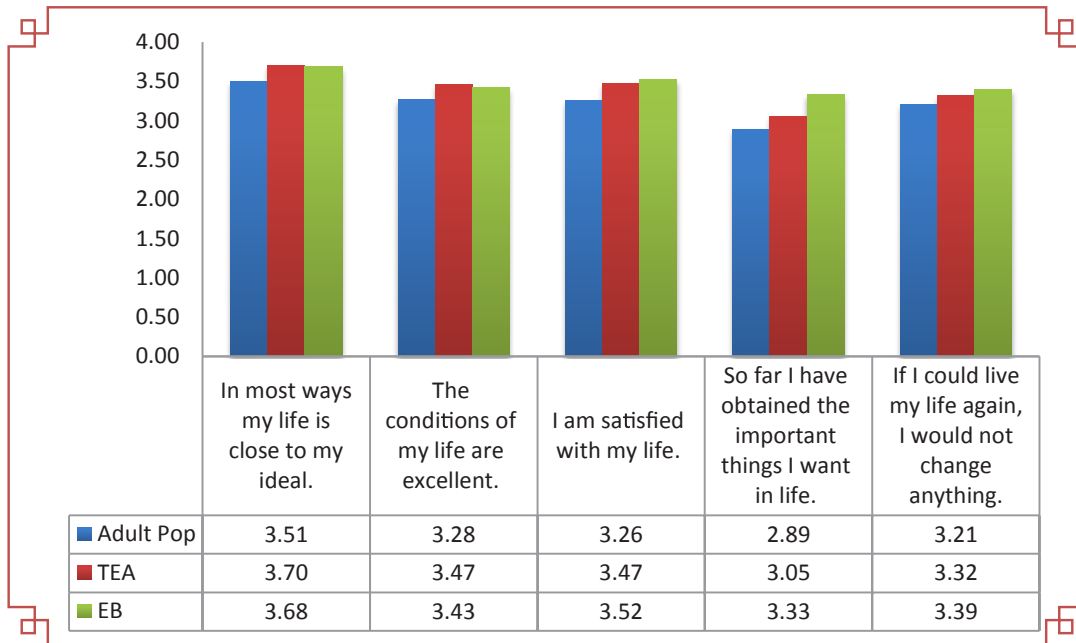
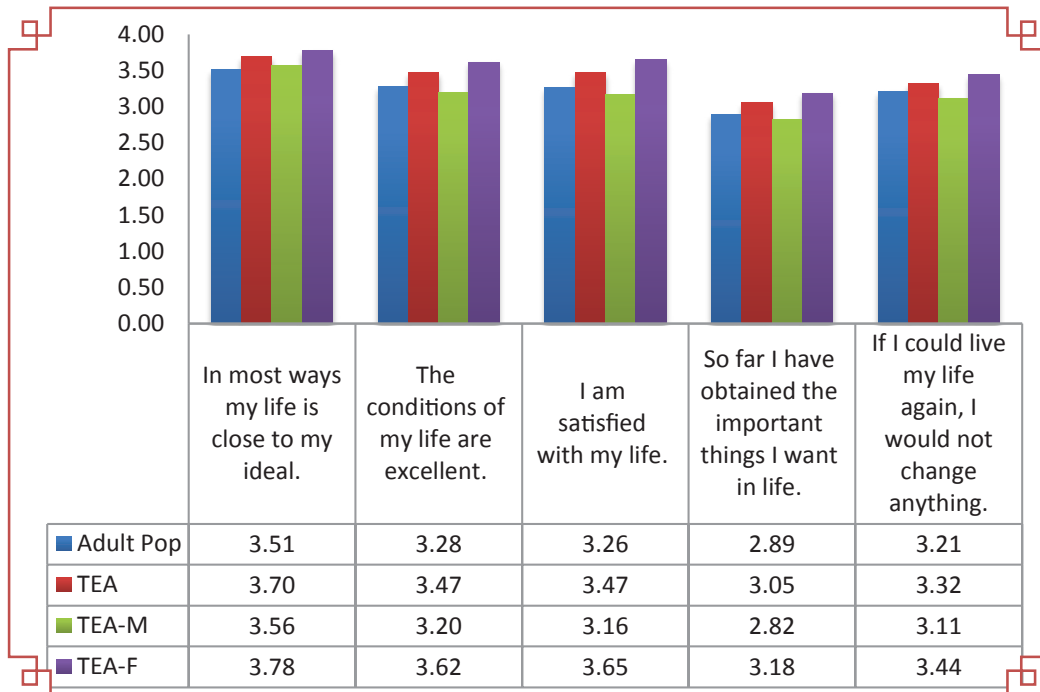
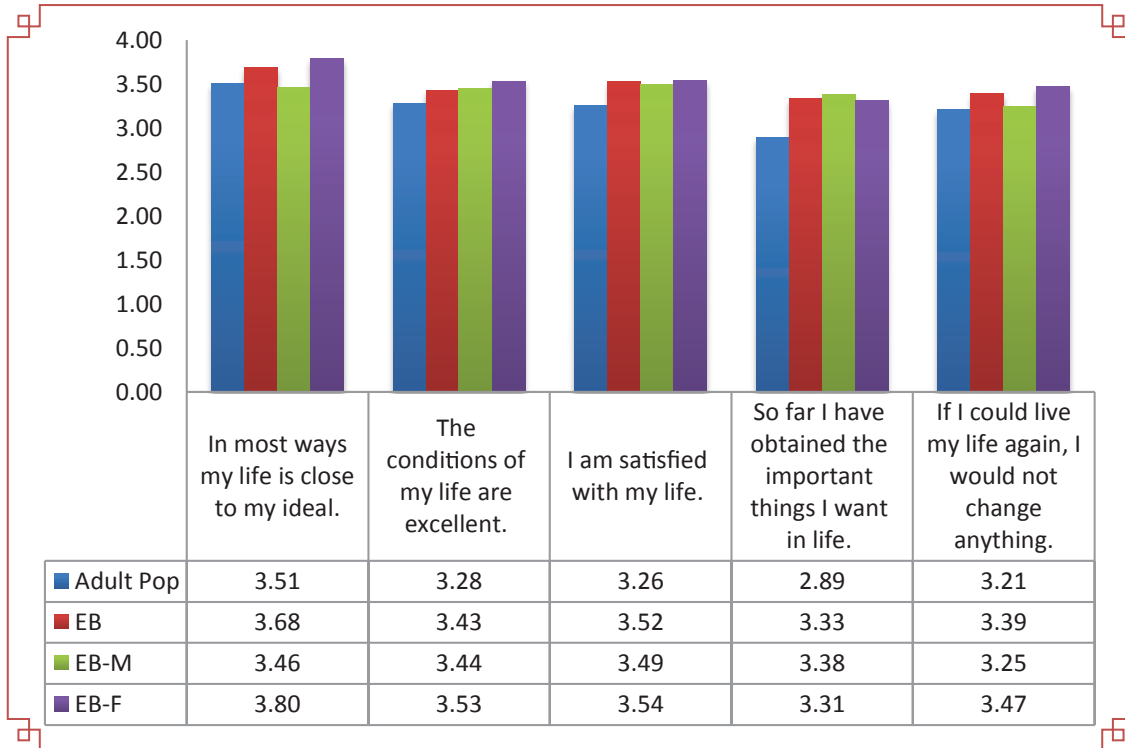


Figure 19. TEA Perceived Well-Being



## 5. ENTREPRENEURSHIP AND WELL-BEING

Figure 20. Established Business Perceived Well-Being



Additional questions on work conditions and work-life balance were also asked using the same scale. Work conditions were measured with regard to the degree of independence one can exercise in doing the work, the meaning of the work to him/her, and the satisfaction one can get in terms of income, nature of work, and

1. I can decide on my own how I go about doing my work.
2. The work I do is meaningful to me.
3. At my work, I am not exposed to excessive stress.
4. I am satisfied with my current work.
5. I am satisfied with my current income from work.

## 5. ENTREPRENEURSHIP AND WELL-BEING

Filipinos generally agree that work conditions give them satisfaction and enough room to make decisions. Early-stage entrepreneurs find their work more meaningful than the rest of the population. This can be due to the independence in making decisions since most early-stage entrepreneurs do not have business transactions with different entities and usually have only themselves to deal with. Early-stage entrepreneurs are more satisfied with the income they earn given that they become entrepreneurs out of necessity given that no other job is available for them. Perception on work satisfaction is higher for female entrepreneurs for both TEA and established business. Female entrepreneurs are more satisfied with their income than their male counterparts. This can be due to the perception of the society that males should be the breadwinner in the family and the females are there only to help in earning a living or to earn to buy goods that are not necessities for the family.

*“Early-stage entrepreneurs find their work more meaningful than the rest of the population.”*

Work–life balance is measured using the following:

1. I am satisfied with the way my time is divided between work and private life.
2. I am satisfied with my ability to balance the needs of my work with those of my personal or family life.
3. I am satisfied with the opportunity to perform well at work and to substantially contribute to home-related responsibilities at the same time.

## 5. ENTREPRENEURSHIP AND WELL-BEING

Both TEA and established business owners have equal perception on how they balance the demands of their work and those of their family. Entrepreneurs in the Philippines have a higher satisfaction level with how they balance their work and family life as compared to the overall population. Start-up entrepreneurs are more satisfied with the opportunity given to them in balancing their time between work and family or personal life. This can be a result of having more control of one's time when one owns the business as opposed to being an employee.

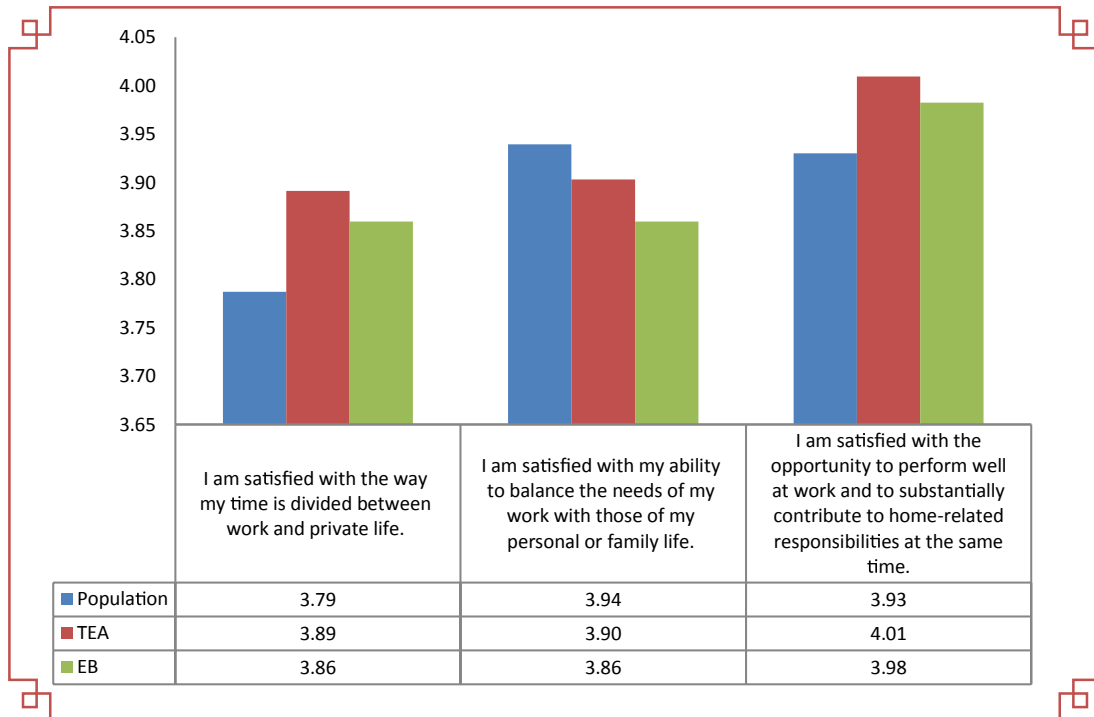
*“Entrepreneurs in the Philippines have a higher satisfaction level with how they balance their work and family life as compared to the overall population.”*

**Figure 21. Working Conditions of Filipinos**

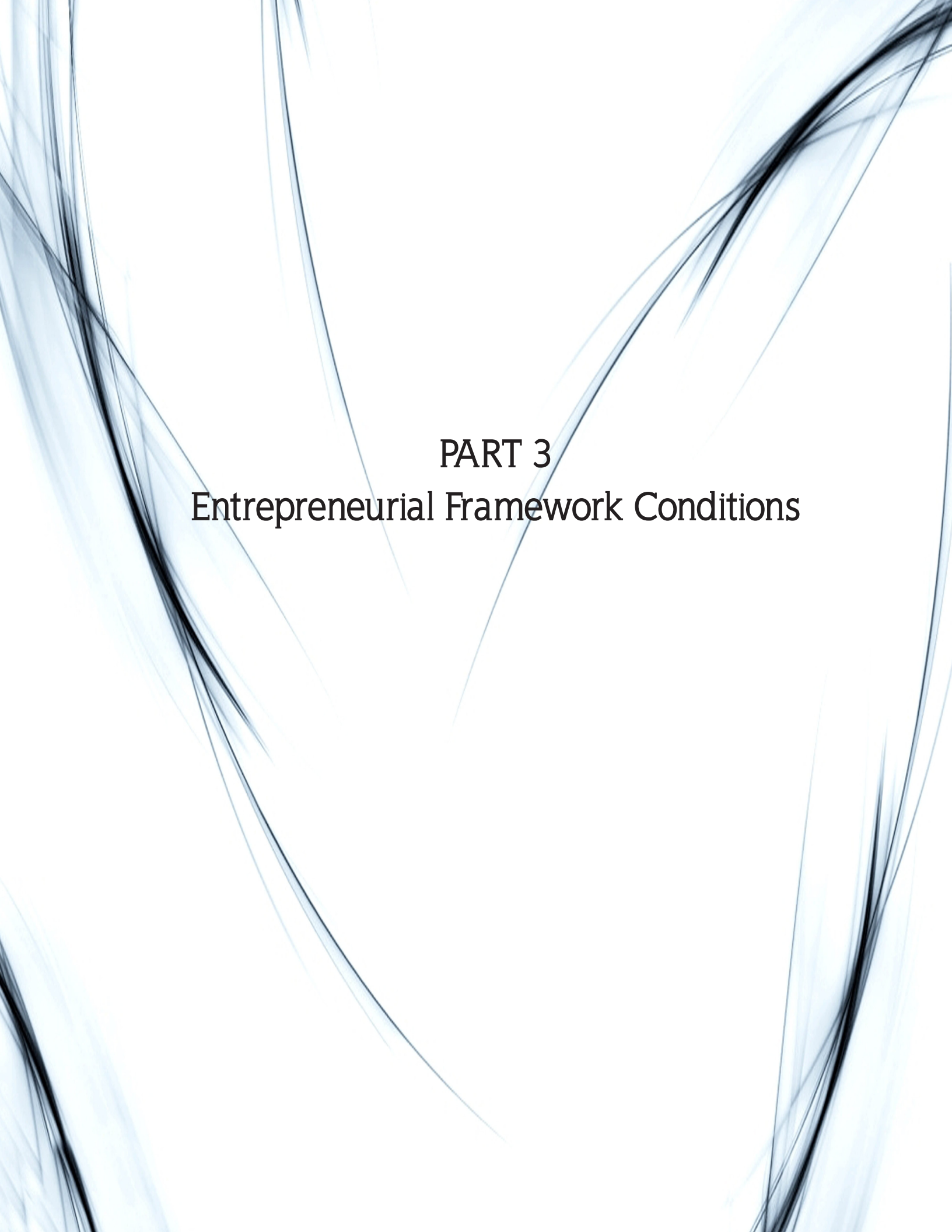


## 5. ENTREPRENEURSHIP AND WELL-BEING

Figure 22. Work–Life Balance of Filipinos







**PART 3**  
**Entrepreneurial Framework Conditions**





## ENTREPRENEURIAL FRAMEWORK CONDITIONS

Entrepreneurial framework conditions (EFCs) measure the environmental conditions that support entrepreneurship in the country. Among the nine factors, the Philippines registered highest in internal market dynamics and lowest in national policy on regulation. The Philippines has one of the largest populations in the region with a high level of market sophistication making the domestic market one of the major factors that support entrepreneurial undertakings. Compared to countries in the Asia-Pacific and South Asia, the Philippines registers similar EFC levels and has better factor conditions in terms of education in both the basic and higher levels.

**Table 10. Barriers to Entrepreneurship**

Category	Percentage of Experts in the Philippines Citing This Factor
Financial Support	65.71
Government Policies	51.43
Capacity for Entrepreneurship	25.71
Corruption	20
Education and Training	14.29

**Table 11. Factors That Support Entrepreneurship in the Philippines**

Category	Percentage of Experts in the Philippines Citing This Factor
Capacity for Entrepreneurship	45.71
Cultural and Social Norms	31.43
Education and Training	28.57
Internal Market Openness	28.57
Government Programs	25.71

## ENTREPRENEURIAL FRAMEWORK CONDITIONS

Philippine experts identified five barriers to the development and growth of entrepreneurship in the country. Top of the list is the lack of financial support allowing access to capital. Next comes the lack of government policies that support entrepreneurship, like legal procedures to register a business. The experts also consider the lack of entrepreneurial capability to manage a business as the third barrier. The APS also cites lack of capital and low profitability performance of the business as two major reasons for business closure and validate the experts' opinion on factors that constrain entrepreneurship in the country.

On a positive note, experts see the capacity of Filipinos to start a business as well as society's high regard for entrepreneurship as encouraging more Filipinos to start a business. Education and the domestic market provide additional support to entrepreneurship in the country.

*“The APS also cites lack of capital and low profitability performance of the business as two major reasons for business closure and validate the experts' opinion on factors that constrain entrepreneurship in the country.”*



**PART 4**  
**Conclusion and Recommendations**



## CONCLUSION AND RECOMMENDATIONS

In the Philippines, the early-stage entrepreneurial activity is high compared to other Asian countries in the Asia-Pacific and South Asia. The majority of start-up entrepreneurs are young, belonging to the 18 to 34 year-old age group. However, start-up businesses suffer high failure rates due to the lack of access to capital and poor business profitability. Although there is a good education base within the population to support entrepreneurship as well as a huge domestic market, the number of established businesses in the Philippines remains very low. This can be attributed to a low level of entrepreneurial skills and a lack of access to capital for expansion. As the different sectors of the Philippine society look at entrepreneurship as a solution to the problem of high unemployment, entrepreneurship should not only be supported when a business is being started but should also be helped in sustaining and growing the enterprise. Only then can job creation be sustained in the long run.

The following are recommendations to support entrepreneurship from the start-up stage to the growth level of established enterprises:

1. **Education and Training.** Schools and universities should foster awareness of entrepreneurship as a career choice of graduates by making it part of the education curriculum in both basic and higher education. Formal training of entrepreneurial capability through the offering of courses in starting, managing, and growing a business should likewise be included.
2. **Government Policies.** One of the major barriers to entrepreneurship in the Philippines is the difficulty of doing business in the country. This is brought about by the length of time to register a business,

## CONCLUSION AND RECOMMENDATIONS

which discourages Filipino entrepreneurs from legalizing the status of their businesses. This limits the sources of capital a business can tap to micro financing and informal lending that do not require formal business registration. Thus, the government should simplify support services for registration, licensing, regulation, and incentives that are provided to start-ups and growing SMEs. They should also further simplify the process of taxation.

3. **Innovation.** To support innovation endeavors in start-up and growing firms, more common service facilities like business incubators can be provided so that small and start-up enterprises can use modern technology and be more globally competitive. Creativity should also be taught in basic and higher education for the youth to be more innovative. Research and development activity should be supported by the government through procurement from small and medium enterprises. There should be more active collaboration between the academe and the industry on research and product development.
4. **Financial Support.** There should be more creative funding support that can be extended to SMEs afar from the traditional micro financing and formal bank credit facilities for the capital expansion needs of SMEs. Examples of these are establishment of cooperatives and other formal equity fund generation. The country can benchmark the experience of other countries in generating equity funds.

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