

# The Rise of Start Up of Young Entrepreneurs in Time of COVID-19 Pandemic in the Economic Growth Center of Legazpi City

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## ABSTRACT

Microbusinesses are booming nationwide, including in Legazpi. Small enterprises closed, personnel resigned at historical rates, and the global supply chains were disrupted during the pandemic. Disaster-prone areas struggled with COVID-19's economic and regulatory limitations. The government's aid isn't enough to support a family, notably in lockdown areas. Some young people began businesses to survive this epidemic situation. This qualitative research investigated how to create an intervention program to help start-up young entrepreneurs overcome the COVID-19 pandemic crisis. If Legazpi City's five growth centers—Bigaa, Bitano, Capantawan, Washington, and Taysan—could surmount their young entrepreneurs' challenges, economic activity would rise, as would businesses. The results proved that making a profit drives the respondents. According to the findings, most young entrepreneurs have difficulty accessing capital. This study is vital to humanity's survival in the current crisis. Thus, the proposed intervention program must focus on either exploring or implementing

innovative forms of marketing or a more refined version of an already successful business strategy to solve the young entrepreneurs' struggles with access to capital that would be alleviated if these laws were universally applied.

**Keywords** — Entrepreneurship, proposed intervention program, profit, challenges, young entrepreneur, micro-scale business, qualitative, Philippines

## INTRODUCTION

Small and medium-sized businesses (SMB), which account for more than 90% of all firms globally, have been particularly affected by the global health crisis. While some firms experienced unheard-of growth, several others temporarily and permanently shuttered their doors. Among the categories most severely affected by the economic effects of the pandemic, online microbusiness ownership increased the fastest after the outbreak. 26 percent of all new microbusinesses have black owners, up from 15% prior to the epidemic. Similar to this, the percentage of new microbusiness starts controlled by women increased from 48% to 57%. Additionally, the percentage of those without a college degree choosing microbusinesses increased from 36% to 44% (Impact Lab, 2020).

Microbusinesses are booming nationwide in Legazpi. Small enterprises closed, personnel resigned at historical rates, and global supply chains were disrupted during the pandemic. This study covers the 2020 pandemic. The researcher surveyed over 5,000 business owners in 23 nations—almost three-quarters of the worldwide GDP. Most entrepreneurs struggle with significant challenges. Entrepreneurs in the poll withstood the recession by being agile, adaptive, and open to new opportunities. Strength was theirs. After the pandemic, they received government help, gave back to society, and planned for development. Entrepreneurs lost 12% due to the pandemic. Self-care and social support help entrepreneurs work. Five post-Covid economy trends, policy recommendations for how entrepreneurs and SMEs can benefit from these trends (digitization, a focus on the “local,” inclusive business models, and building personal and business resilience), and five practical steps entrepreneurs can take to protect their health conclude the report (Stephan et al., 2021).

Another study helped MSMEs survive the COVID-19 pandemic. Exploratory, descriptive analysis is used in this investigation. A thinking framework arranges idea descriptions. The outcomes wanted COVID-19 to empower MSMEs. Financing, raw materials, IT infrastructure, UMKM credit restructuring, and training can help MSMEs succeed. Second, the COVID-19 pandemic will

impact MSMEs' worldwide market competitiveness. If the government helps MSMEs through the crisis, they'll recover quickly. MSME firms can use Internet marketing to display their unique inventions, creative packaging, and distinctive products. MSME empowerment was one of this study's interventions for young start-up entrepreneurs. If the "Go Negosyo Act of 2014" works, entrepreneurs will obtain loans or subsidies to test marketing, raw materials, target clients, and more (Affandi, 2020).

Entrepreneurs risk business. Data informs entrepreneurs. Entrepreneurs reflect. Entrepreneurs create companies. His adapts. Entrepreneurs must trust someone who doesn't always trust them. Business decisions should be wiser. Due to diverse viewpoints and needs, he may eventually be unable to satisfy everyone. Business owners want their needs satisfied. Start-ups prefer slow growth. Consider delivery logistics when making important business decisions. Understand your organization. They need to be well-trained. Business is challenging. The young entrepreneur's problems will be explained by the researcher. Pandemic-related plan for young entrepreneurs. Entrepreneurs can establish and grow profitable businesses with a proper marketing approach.

The community will benefit initially since people won't have to go as far to get food. If Legazpi's barangays promote local entrepreneurs, everyone can survive. The town becomes more prosperous with decreased unemployment, fewer government assistance recipients, and more work and enterprise.

BMBE incentives and benefits underpin our study. A "Barangay Micro Business Enterprise," or BMBE, is a corporation that manufactures, processes, trades, or provides services with assets under Three Million Pesos (P3,000,000.00), including loans but not the land on which its office, plant, and equipment are located. Let's assume all Legazpi City barangays strongly execute Republic Act No. 9178 and support microbusinesses. That will stimulate new startups, which will strengthen the city's economy. Adding jobs slowly lowered Philippine unemployment. Businesses will adopt it. The community can reduce poverty and unemployment, and companies will profit more. Finally, Legazpi City's DTI may provide startup funding and advice. The Negosyo Center Program assists MSMEs and other small businesses in getting resources. Republic Act No. 10644, the "Go Negosyo Act," encourages MSMEs to increase Philippine employment (Drilon et al., 2022).

This project aims to help young entrepreneurs cope with COVID-19. The community Chairman and Legazpi City Department of Trade and Industry must support the intervention program to improve the Philippine economy and create jobs. Their pandemic marketing. It inspires entrepreneurs.

This research will hold small business seminars, workshops, and activities. If the community Chairman and DTI Legazpi City support these measures, more firms will be formed, creating jobs, and boosting the Philippines' economy.

## FRAMEWORK

This study was based on five theories the Disruptive Innovation Theory by Clayton Christensen; the Innovation theory of the entrepreneur by Joseph Schumpeter; the Economic Entrepreneurship Theory by Richard Cantillon; Opportunity-based Entrepreneurship Theory by Peter Drucker; and lastly, The Resource-based Entrepreneurship theory by Jay Barney.

The first theory pertains to Disruptive Innovation Theory, which describes how a new market entrant can disrupt established businesses. In this study, the new entrants refer to the young entrepreneurs who engage in business during the COVID-19 pandemic. According to Christensen, disruptive innovation occurs when a smaller company, usually with fewer resources, challenges an established corporation (commonly referred to as "incumbent" by getting into the market at the bottom and staying there to grow up-market. This process usually takes several steps, such as (a) Incumbent businesses innovate and develop their products or services to appeal to their most demanding and profitable customers, ignoring the needs of those down market, (b) Entrants target this overlooked market segment, and gain traction by meeting their needs at a lower cost than what the incumbent offers; (c) Incumbents do not respond to the new entrant, focusing on their more profitable segments, (d) When a new entrant begins to attract a large number of the incumbent business's mainstream customers, disruption occurs (Larson, 2016).

By this method, the young entrepreneur slowly engages in business activity, and little by little, the consumers tend to buy their products more often than the incumbents. The second theory is the famous innovation theory of entrepreneurship, which Joseph Schumpeter proposed. Schumpeter assumes a situation in which a closed capitalist economy is in a steady state. He held that innovators and entrepreneurs were responsible for bringing about progressive change in economies by breaking the economy out of its cyclical ruts. Disequilibrium results from the entrepreneurs' actions because they disrupt the normal flow of things.

Any country's rapid economic growth is attributed to its entrepreneurs' innovations. The entrepreneur, whom Schumpeter defined as "not a man of ordinary managerial ability but one who introduces something entirely new,"

was tasked with bringing about new combinations of the factors of production. Joseph A. Schumpeter put forth the innovation theory of profit, which holds that a business can be profitable by introducing new and valuable innovations. In other words, according to the innovation theory of profit, an entrepreneur's primary duty is to introduce innovations and is rewarded monetarily for this. In Schumpeter's view, innovation is any action an entrepreneur takes to either decrease his product's total cost of production or raise consumer demand for it. There is a connection between the present investigation and Schumpeter's theory of innovation since introducing new products and services during a pandemic significantly impacts the city's economic hubs. As a result of the pandemic, old business owners will see a decline in profits due to the new marketing strategies implemented by young business owners.

The third theory, Economic Entrepreneurship Theory, states that entrepreneurship has far-reaching consequences for more than just the business world. In Cantillon's view, entrepreneurs perform double duties as "producers" and "exchangers." A business owner's decision has far-reaching consequences for collecting raw materials transformed into a finished good. Cantillon argued that anyone with a source of variable income, from panhandlers to restaurant owners, is engaging in entrepreneurial activity. What sets his theory apart from others in entrepreneurship theory (Larson, 2016)? In line with Richard Cantillon's theory of entrepreneurship, young business owners helped alleviate the economic crisis caused by the pandemic by keeping their operations afloat and prices low for consumers, notably those who had lost their employment and were unemployed now without a means of support.

The fourth theory "defines entrepreneur and entrepreneurship," which implies that an entrepreneur is someone who "constantly searches for, responds to, and capitalizes on change, contradicting Schumpeter's theory, which defines entrepreneurship as change, emphasizing a broad conceptual framework (Larson, 2016). The researcher in this study is looking for marketing innovations among young business owners so that they can thrive during a pandemic, which is probably related to the Opportunity-based of Peter Drucker's work. Explains why chances can materialize during times of distress. The young business owners see this as a chance to branch out and start their own companies, which will one day help them support their families.

The last theory is the Resourced based Entrepreneur theory. According to this theory, entrepreneurs can only launch and sustain their businesses with access to capital. Start-ups need more than just time and money to succeed; entrepreneurs also need access to other tools. The theory's primary goal is to

improve one's capabilities by highlighting the significance of material, social, and human resources (Larson, 2016). According to the resource-based theory, having access to adequate resources is crucial for successfully launching a new firm. Launching a company with just your own time and money is impossible. If they have more connections or social acquaintances, it will be easier for them to reach the people they want to sell their food, ready-to-wear, cosmetics, and other products too, increasing the likelihood that they will sell to them. This entrepreneur can benefit from taking courses like Community Livelihood and those offered by the Department of Trade and Industry (DTI).

## **OBJECTIVES OF THE STUDY**

Generally, this research aimed to show the rise of young entrepreneurs during the COVID-19 pandemic in the economic growth centers of Legazpi City. Specifically, this research sought to: (1) Determine the profile of the young entrepreneur based on a. highest educational attainment, b. source of capitalization, c. relevant training, d. amount of capitalization, e., kind of business, f. classification according to net worth, g. LGU Registration. (2) Determine the motivating factor in engaging in entrepreneurial activity. (3) Identify the challenges encountered by the young entrepreneur during the COVID-19 pandemic, along with Marketing, Financing, and Logistical and Technological. (4) Propose an intervention program for young start-up entrepreneurs according to Republic Act 2014, also known as the "Go Negosyo Act 2014."

## **METHODOLOGY**

### **Research Design**

The study used qualitative type of research, which is a method that is known for providing information that is both pertinent and accurate. The researcher administered a survey-made questionnaire which is correlated to the rise of start-up of Young Entrepreneurs in Time of COVID-19 Pandemic in the Economic Growth Center of the young entrepreneurs in the communities of Community Bigaa, Bitano, Capantawan, Washington, and Taysan in Legazpi City to learn more about how these individuals managed to keep their companies afloat and thrive despite the presence of the COVID-19 pandemic. After thoroughly undergoing the study, the researcher suggested intervention programs for young start-up entrepreneurs to succeed in running small businesses. After receiving approval of the proposed intervention plan after a month be implemented.

## **Respondents**

The respondents of this study are young entrepreneurs from the Five Economic Growth Centers of Legazpi City, such as Community Bitano, Bigaa, Capantawan, Washington, and Taysan. The researcher chose the respondents based on the community records of entrepreneurs with business permits. The focus of the study is the young entrepreneurs, which are part of Generation Z, ranging from the age of 10 to 25. Still, the researcher only includes entrepreneurs ranging from 18 to 25 years old, for they are allowed to apply for a business permit. The respondents also encountered difficulties in their business during the COVID-19 pandemic, which is why the researcher is eager to give solutions to the problems that the respondents experienced by proposing an Intervention program to them.

## **Instrumentation**

The researcher used the questionnaire they created on their own to collect the responses from the respondents. The questionnaire survey has three sections in total. The respondents' demographic profile included the highest educational attainment, source of capitalization, relevant training, amount of capitalization, type of business, company classification based on net worth, and LGU Registration.

The second section discussed the elements that motivate individuals to engage in entrepreneurial activity or enterprise. The final section, the third one, discusses the challenges young business owners encountered during the COVID-19 pandemic. The fact that the respondents are responsible for filling it out on their own without the assistance of an interviewer is what gives rise to the term "self-administered." This survey questionnaire served as the basis for drafting the proposed intervention program, which will undoubtedly mirror the scenario they experienced as a result of this study. As a result of this study, their small-scale business succeeded after participating in the intervention program described before.

## **Research Ethics Protocol**

In no uncertain terms, every respondent was made aware that their participation was entirely voluntary. In addition, respondents were assured that the confidentiality of their names and the names of their respective communities would be maintained. During the survey, the respondents confirmed that no personally identifying information (such as their names) was requested from them in any capacity. In addition, it was made clear to every person who took

part that they could obtain a copy of the final tally if that is something they would like to do.

### **Data Gathering Procedure**

After acquiring all the formal permission that the researcher had from the Graduate School and the locale where the data is collected, the researcher delved into the gathering of the data needed on the profile, seminars/training attended on business, type of business chosen, problems encountered, marketing strategy and source of capital of the respondents through answering the survey questionnaire that the researcher distributes in one month. Next retrieving of survey questionnaires; the allotted time is one month, depending on the respondents' availability. The researcher used the following month for analyzing and tabulating the survey questionnaire result. Lastly, another month is intended for the preparation of the Propose Intervention Programs for the respondents coming from the five economic growth centers of Legazpi City, namely community Bitano, Bigaa, Capantawan, Washington, and Taysan, with the help of the community Officials headed by the Community Chairman and Department of Trade and Industry in Legazpi City.

### **Statistical Analysis**

There are four (4) preliminary steps or phases that need to be carried out: (Phase 1) The administration of survey questionnaires to the young entrepreneurs who participated in the research; (Phase 2) The monitoring and retrieval of the survey questionnaires; (PHASE 3) The analysis and tabulation of the results of the survey questionnaires; and (PHASE 4) The analysis of the results. The researchers will examine the effects of developing an intervention program for young entrepreneurs just getting their businesses off the ground in Legazpi City's Five Economic growth centers.

## **RESULTS AND DISCUSSION**

This part presents the results of the survey, analysis, and interpretation of the data on the Start Up Young Entrepreneurs during the COVID-19 Pandemic in the Economic Growth Center of Legazpi City: a. highest educational attainment, b. source of capitalization, c. relevant training, d. amount of capitalization, e. kind of business, f. classification according to net worth, and g. LGU Registration. Likewise, the perceptions of the two groups of respondents determined the motivating factor in engaging in entrepreneurial activity, and identified the



challenges encountered by the young entrepreneur during the COVID-19 pandemic along with: a. Marketing, b. Financing, c. Logistical, d. Technological; and proposed an intervention program for young start-up entrepreneurs in accordance with Republic Act 2014, also known as the “Go Negosyo Act 2014.”

### **Highest Educational Attainment**

Based on the findings of this study, almost half (48.87%) of the people who participated, which comes out to approximately 43 different people, have a degree from an accredited institution or university. Some persons had completed high school, accounting for 36.36% of respondents and roughly 32 people. The respondents who have completed elementary school make up around 14.77% of the total, which amounts to 13 people, demonstrating that those who had completed higher levels of education have a more significant propensity to launch their firms to meet their monetary obligations.

### **Relevant Training**

According to the findings, 59.09% of respondents, which equals 52 persons, obtained their capital from salary, indicating that most business owners also work in some capacity. TESDA Training, DTI Training, Community Livelihood, and Online Training are all study components that were looked into. Seventy percent of respondents have yet to finish the abovementioned training; the majority had only completed the Community Livelihood training, demonstrating that 62 respondents did not participate in any activity.

### **Source of Capital**

The survey results revealed that the amount of capitalization held by the respondents ranges between 1,000 and 3,000 pesos. There are around 52 people, corresponding to the percentage of total respondents who have this amount of capital invested in their business operation. Some respondents have a beginning capital of four thousand to seven thousand dollars, accounting for roughly 31.82%, or 28 respondents. Last but not least, the capitalization ranges from 8,000 to 10,000, which amounts to approximately 9.09%, or about eight people alone.

### **Kind of Business**

According to the survey, the respondents engaged in the food business, Delivery Business, RTW Business /Thrift Business, and others. Among the four types, 77% of the respondents run food businesses, which is equal to 68

people out of the total number of respondents. Some are into RTW Business with 7.95%, about seven persons out of the total population. The remaining respondents are into other businesses, which is approximately 14.78%, or 13 out of 88, which is the total number of respondents.

### **Classification of Business**

According to the information acquired, 59.09% of the respondents, around 52 individuals, are involved in the micro-scale business, indicating that their starting capital ranges from approximately 1,000 to 3,000 pesos. While the remaining 40.91%, or 36 people, are involved in small-scale industries, their capital investments range from 4,000 to 7,000 and 8,000 to 10,000, respectively.

### **Business Permit**

The Local Government Unit (LGU) registration consists of the following permits; the DTI permit, the Community permit, the Bureau of Internal Revenue (BIR) permit, and the mayor's permit. Fifty-two respondents, approximately 59.09% in total, have Community authorization. The remaining respondents, which is 40.91%, or 36 individuals, need permission to operate their businesses.

### **Motivational Factors**

According to the information gathered, the desire to make a profit is the crucial factor that leads young business owners to start their enterprises, especially during the COVID-19 pandemic. This assertion was made based on the information gathered. The fact that the Total Weighted Mean has a value of 3.68 demonstrates this, and it is the first indicator with which most respondents had considerable agreement. A total of 3.33 TWM is attributed to the second sign, passion. The third indicator is the individual's progress, which is approximately 3.27 based on the data. The level of Satisfaction is the fourth indication, and it currently has a value of 3.52. The final metric, which goes by the name of Achievement, shares the exact value of 3.52 as the fourth, called Satisfaction. It's possible to figure out from the fact that the respondents provided a mean score of 3.46 that they all concurred that one of the reasons stated below is their main inspiration for operating a business.

### **Problems Encountered**

The study included questions about a lack of capital, competitors, customers, effective time management, marketing and advertising, and management of marketing and advertising time. Based on the weighted mean, which is

approximately 2.68, which frequently means problematic in the Likert scale below, which means that all of the participants experienced the majority of the cited problems, but the most common problem was a lack of capital, which a mean of 3.63, which indicates that it is highly problematic according to the scale presented. The second challenge that the respondents face is the high number of competitors, which, given that the TWM for this issue is 3.09 indicates that excessive competitors will undoubtedly lead to a reduction in profitability. The third issue concerns customers with the TWM 2.44, which means it is challenging to get customers during the pandemic due to the restrictions imposed by the Interagency Task Force's health protocols, making it more difficult for businesses to profit. (IATF). Because lockdowns have been established, they can only serve those within their community. Because of the schedule of the Opening of Markets per community with 2.04 TWM, the respondents reported that time management was the fourth challenge due to the system. In conclusion, the COVID-19 limits make it very difficult for them to engage in marketing and advertising. As a result, the respondents tend to reduce the price of their products to make them more affordable for their customers as one of the strategies for selling their products with a TWM of 1.95, which is rarely observed.

## CONCLUSION

The study focused on creating an intervention program for young start-up entrepreneurs that will eventually solve the problems they encountered during the COVID-19 pandemic. If their young entrepreneur covered all obstacles to business activity, this would lead to increased economic activities in the five growth centers of Legazpi City, namely Bigaa, Bitano, Capantawan, Washington, and Taysan. If those problems occurred is addressed later, they will significantly affect our society and community as well loss of profit means unstable financial sources for all entrepreneurs, not only the young ones. Suppose the government, which the DTI and community represent, will not support micro and small-scale businesses in our province. In that case, it leads to other problems like unemployment, poverty, shortage of essential commodities, and price hikes which are likely to happen if those young entrepreneurs are troubled and not supported by the government. Solving recent problems in their businesses will serve as a guide to other young entrepreneurs who wants to run their own business. More companies will put up more opportunities for jobless or unemployed citizens.

Helping young entrepreneurs handle those problems develops their entrepreneurial skills and increases their profits. The proposed intervention

program will tackle new marketing or even existing effective business strategies.

The greatest number of respondents answered that their biggest problem is the need for more capital. Republic Act 10644, Republic Act 9178, and Republic Act 9501 also offer a subsidy to start small businesses from community livelihood subsidy. Laws enjoyed by most of our young entrepreneurs have their problems with needing more capital solved.

## TRANSLATIONAL RESEARCH

This study proposed an intervention program for young start-up entrepreneurs with the following exits such as new marketing for small-scale businesses, new knowledge or innovations in teaching small-scale business to students, establishing a new business, job opportunities with the support coming from the community and DTI Legazpi City through subsidy which is part of the Go Negosyo Act 2014 implementation.

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