

## Empowering Philippine MSMEs through Technology Upgrading: Factors affecting performance of government program

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In the fast changing environment, the Philippines' micro, small and medium enterprises (MSMEs) must continually improve and innovate in order to be competitive. They must offer quality products at par with foreign products. Innovation must be supported with technologies, which unfortunately are not easily accessible to such businesses due to financial and technical constraints.

In support of the MSMEs, the Department of Science and Technology initiated the Small Enterprise Technology Upgrading Program (SETUP) in 2002 to provide assistance to MSMEs through technological innovations. The program enables firms to address their technical problems through technology transfer and productivity-enhancing technological interventions toward better product quality, human resources development, cost minimization and waste management, and other operation-related activities. As of June 2010, fifty-one (51) projects in CALABARZON engaged in food processing, metals and engineering, furniture and gifts, toys and housewares (GTH), and others had already availed of the SETUP assistance. The firms were able to acquire equipment, packaging and labeling materials, laboratory analysis and consultancy services.

In general, the beneficiary-firms cited improvement in product quality, increase in production capacity, increase in production volume, mechanization of production process and improvement in working conditions as the top five benefits from SETUP. Within the short term (one year after availment of assistance), very few firms achieved the target level of improvement in their operations.

In the immediate term (2 – 3 years), the GTH sector successfully achieved its target with contributory factors such as innovation, production efficiency and good working condition. The food/beverage and metals/engineering sectors were not as successful due to decrease in market demand and lack of working capital.



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In the long term (4 years and longer), the food and beverage sector has become successful but the metals and engineering sector as well as the furniture and GTH sectors apparently failed based on their performance targets. The latter sectors are highly dependent on the international market which at that time was adversely affected by the global financial crisis. It appears that the food and beverage sector which was able to diversify and take advantage of the local market survived the harsh economic environment during the crisis.

External factors contribute to the success or failure of the SETUP-assisted projects. A major one is the 2007-2009 global economic crises which greatly affected the metals group since they are highly export-oriented. The physical and environmental phenomena also influenced the performance of the companies regardless of the sector. Flooding in the production area of some companies due to typhoons disrupted production operations and brought about losses in inventory and damage in equipment.

There are government supports to the MSMEs, but the success of a project is attributable to the owner/management's commitment, technical know-how, market knowledge and financial capability to adopt technological changes. The improvement in the production process must be backed up by corresponding market demand. Continuous innovation, market expansion and production process improvement are essential for the sustainability and competitiveness of the companies.

