

The Effects of Digitalization to SMEs in Ilocos Norte

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Abstract

This study aimed evaluate how digitization has affected small and medium-sized enterprises (SMEs) in Ilocos Norte in the Philippines. It also identified the positive results, limitations and challenges that digitalization presents to the growing SMEs. Specifically, it evaluated the effects of digitalization on marketing, operations, and financial aspects. The study participants were the owners and employees of SMEs chosen using quota sampling, with a total of 100 SMEs located within the vicinity of Ilocos Norte. The study adopted a quantitative approach and used a survey questionnaire via Google Form as a research instrument. The quantitative data were analyzed using Pearson correlation. From the findings, the SMEs agreed to operate in a broader scope by using technology to sell their products and services and help them draw new customers and boost sales.

Keywords: *digitalization, small and medium-sized enterprise, SMEs, e-commerce*

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Introduction

Small and medium-sized businesses (SMEs) are crucial for long-term economic growth, yet it can be difficult to maintain their performance (Ates et al., 2013). The performance and participation of SMEs in the economy are impacted by the multifaceted changes brought about by what has been named the "information-networked society" (Castells, 2010) or the "digital economy." The SMEs are more than miniature versions of larger companies. Hence, they are critical to various external and environmental factors including the digital commerce. The digital e-commerce, also called e-commerce, is the exchange of goods and services across networks such as the Internet, mobile devices, and commerce infrastructure. "Digitalization" involves transforming an organization into a digital one by leveraging digital technologies to change a business model and provide new income and value.

This study aims to assess the effects of digitalization to SMEs in Ilocos Norte by identifying the favorable outcomes, the constraints and obstacles that digitalization poses to the businesses. In particular, this study aimed to evaluate digitalization's effort and impact on SMEs' profitability and operation. It explored the impact of digitization on marketing, finance, and business operations.

Methodology

The study used a quantitative approach to quantify the effects of digitalization through mean and Pearson R to correlate the relationship between the operation and profitability in the digitalization. The owners and employees of SMEs in Ilocos Norte made up the participants. A quota sample of 100 was chosen from the different businesses operating in the Ilocos Norte region. In accordance with the COVID-19 protocol, the researchers distributed questionnaires via Google Forms to prevent direct contact and to implement social distancing.

Findings

In terms of the business operation, the result shows that SMEs has wider scope of operation using digitalization. The participants agreed that digitalization is more effective

now in their operation and provides easy transactions, as well as access to materials and products.

In terms of profitability, SMEs are embracing digitalization because it has the greatest potential for helping them draw new customers and boost sales.

Conclusion

The digitization increased the amount of work required for SMEs' operations because of the geographic spread of their operations. By applying digitalization, SMEs can easily obtain supplies or resources that would hasten the delivery of their goods to customers. As a result, digitization can increase SMEs earnings, decrease costs, and enables them to sell more by luring in new customers resulting to higher chances of profitability.

Digitalization has a significant operational influence. This shows that digitalization has positive effects on SMEs that have been in operation for a longer period. It has also been noted that financial variables greatly influence the impact of digitalization on SMEs in terms of business operations and profitability.

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