

Business Continuity Plan of Textile Industry in CALABARZON: A Basis for Multi-Usable Framework

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Abstract

This study focuses on the analysis of the business continuity plan and financial performance of the selected textile businesses in CALABARZON. The findings reveal that the assessment of respondents on the business continuity plan in terms of prevention, preparedness, response, and recovery is at a very great extent. However, the financial performance of the companies in terms of profitability, liquidity, and solvency is greatly affected by the pandemic crisis. In terms of liquidity, half of the companies have a very good current ratio score in 2020 and 2021, but the majority of the companies have terrible scores for the debt to asset ratio (DAR) and debt to equity ratio (DER) in the last three years (2019-2021). Furthermore, there is no significant relationship between the respondents' assessment on the business continuity plan and the financial performance of the selected textile industry, except for the response in terms of debt to asset ratio for the years 2019 to 2021. The study also identifies the strengths and weaknesses of the textile industry, where the industry's adaptability is its strength, while the production weaknesses lead to a reduction in sales and revenues. The proposed multi-usable framework focuses on the business's entirety and ensuring that critical services and functions provided by the business will still be performed, both if threatened by disruption as well as after the threat has subsided. Finally, the study concludes that the pandemic has affected businesses in various ways, and they need to adapt to control their operations, proactively manage resources, make informed decisions, and use technology effectively to manage change.

Keywords: Business Continuity Plan, Financial Performance, Textile Industry, Strengths and Weaknesses, Multi-Usable Framework

1. Introduction

The textile industry is a global market that deals with items made from fibers, threads, or yarn. It encompasses the development, production, processing, manufacture, and distribution of textile and fabric materials. The textile industry has evolved significantly over time and is considered one of the fastest-growing industries, providing employment to millions and contributing significantly towards the national economy in many countries. China, the European Union (EU), and India remain the world's three largest textile exporters, accounting for 65.8% of the world's textile exports in 2020. In Asia, the Philippines is one of the region's ten major producers of garments, textiles, and footwear, generating US\$1 billion worth of exports annually and is

considered a significant supplier of textile products and apparel globally (Asia Garment Hub.net).

Although the Philippine garments and textile industry went into decline from the mid-1990s following the end of the Multi-Fibre Arrangement, it still comprises around 200 manufacturers, 240 traders, and over 1,000 subcontractors, employing over 490,000 workers, of which 69.4% are women (tradechakra.com). However, the industry has weakened amid the pandemic, rising inflation, supply chain disruptions, and the ongoing Ukraine-Russia conflict, which affected the supply of raw materials for production. The export earnings of the textile and garment manufacturers in the country increased by only 1% due to these uncertainties (Philippine Exporters Confederation Inc.).

The Clothing and Textile Industry Tripartite Council (CTITC) has assessed the impact of the Covid-19 pandemic on the textile and garment sector in the Philippines. The issues identified include massive job displacement, loss of income, and a reduction in working hours due to the lack and cancellation of orders (DTI, 2018). According to the Confederation of Wearable Exporters of the Philippines, more than 30% of employees at their member companies have been retrenched due to factory closures, as many contracts and orders have been canceled, and financial liquidity is running low.

The Republic Act No. 9242 "An act prescribing the use of the Philippine Tropical Fabrics for Uniforms of Public Officials and Employees and for other Purposes" prescribes the use of local fabrics for uniforms of public officials and employees to promote patriotism and nationalism among the people and generate wider employment and greater benefits to the country. The revival of the Philippine Textile Industry can provide billions of pesos annually to the Philippine economy and initially add job creation to the Filipino workforce. Therefore, industry stakeholders must work together to navigate these unprecedented conditions.

However, when pandemic hits the country, COVID-19 brings the industry into its knees, textile mills, textile products mills, apparel manufacturers and other businesses related to textile have experienced plummeting sales, closed factories due to shortage of raw materials, insufficient capital, and workforce retrenchment.

This study aimed to unravel the gaps in the issues of the textile industry regarding their business continuity plan to help them recover and continue their operation amidst adversity. It was hoped that this study would provide baseline data that would serve as a basis in designing and developing a Multi-Usable Framework for the Textile Industry in CALABARZON.

1.1. Methodology

This study used a descriptive survey and documentary analysis to gather quantitative data on the Business Continuity Plan of the Textile Industry in CALABARZON, with the aim of developing a Multi-Usable

Framework. The study evaluated the financial performance and business continuity plans of the textile industry, and assessed the variables of Prevention, Preparedness, Response and Recovery. Respondents were described in terms of their business profile and management profile, and strengths and weaknesses of the textile industry were identified. The methods and techniques employed were appropriate to investigate the present situation, and included the use of survey questionnaires to collect data.

1.2. Participants

The study used stratified sampling to choose the respondents for the research. The criteria for selecting the respondents included being part of the Textile Industry, SEC registered, operating for the last three years before, during and after the pandemic, currently operating, and having a business continuity plan in place. Out of the 102 SEC-registered businesses identified as part of the textile industry from 2018-2022, only 51 businesses were operating for at least three years and only 39 were operating up to date. From the 39 identified respondents, 35 participated in the survey while 4 declined to answer. In the interview, 24 respondents participated while 11 were not interviewed. Based on the survey, only 10 or 42% of the respondents had a business continuity plan in place, while 14 or 58% did not have a BCP. Furthermore, only 6 or 60% of the total number of businesses were operating with submitted financial statements, while 4 or 40% were not compliant with SEC requirements. Late filing could result in funds being forfeited and interest compounding until there is enough money to cover the filing fee and penalties.

1.3. Research Instrument

The study utilized a survey questionnaire checklist to gather data, which was divided into four parts. The first two parts describe the profile of the respondents in terms of the textile industry and management. The third part deals with the actions taken with respect to prevention, preparedness, response, and recovery, while the fourth part discusses the financial performance and the strength and weaknesses of the textile industry in terms of Business Continuity Plan.

The survey questionnaire checklist used was a researcher-made checklist with an adapted modified-questionnaire-checklist from Jorrigala, Vyshnavi (2017).

The performance analysis was done using the Balance Scorecard from Sewak and Aryoko's (2020) study.

Results and Discussion

Assessment of the Respondents on the Business Continuity Plan of Selected Textile Industry with respect to Prevention, Preparedness, Response, Recovery

Table 1. Assessment of the Respondents on the Business Continuity Plan of Selected Textile Industry with respect to Prevention, Preparedness, Response, Recovery

INDICATORS	WM	VI
Prevention	4.37	Very Great Extent
Preparedness	4.41	Very Great Extent
Response	4.49	Very Great Extent
Recovery	4.34	Very Great Extent
Prevention	4.40	Very Great Extent
Overall Mean	4.37	Very Great Extent

The study assessed the respondents' perception of the business continuity plan of selected textile industries. The results showed that all variables (Prevention, Preparedness, Response, and Recovery) have a grand mean of 4.40, which is interpreted as a Very Great Extent. Response got the highest mean of 4.49, followed by Preparedness and Prevention with 4.41 and 4.37, respectively, while Recovery got the lowest mean of 4.34.

The results suggest that businesses prioritize responding to the needs of their customers in times of crisis, providing options and pragmatic help to customers in distress, including discounts and other services. The textile industry managed to respond to their customers through various channels and providing best quality service before and after sales.

The results support the study of Ehlrich (2020) which reported that once customers have secured their personal safety, their next concern is often financial. Providing flexible solutions when dealing with financial challenges is now both a responsibility and a huge trust driver for companies. Additionally, with so many directives around the world to remain at home, companies that previously relied on physical operations have had to direct customers to online offerings.

Financial Performance of Selected Textile Industry with Respect to Profitability, Liquidity and Solvency

Table 2: Financial Performance of Selected Textile Industry with Respect to Return of Asset

Company	2019			2020			2021		
	ROA	Score	Verbal Interpretation	ROA	Score	Verbal Interpretation	ROA	Score	Verbal Interpretation
A	-7.32%	1	Terrible	-1.03%	1	Terrible	9.49%	4	Good
B	-7.73%	1	Terrible	7.12%	4	Good	41.44%	5	Very Good
C	-33.25%	1	Terrible	48.38%	5	Very Good	10.49%	5	Very Good
D	-76.64%	1	Terrible	-54.52%	1	Terrible	-48.88%	1	Terrible
E	-45.11%	1	Terrible	-24.39%	1	Terrible	-18.46%	1	Terrible
F	2.70%	2	Bad	-4.93%	1	Terrible	-2.66%	1	Terrible

The table presented shows the financial performance of six different companies over the years 2019-2021. Company A had a terrible ROA in 2019-2020 but improved in 2021, while Company B had a terrible 2019 but improved in 2020 and continued to improve in 2021. Company C had a terrible 2019 but improved significantly in 2020-2021. Companies D and E had consistently terrible ROAs for all three years. Company F had a bad 2019 and terrible 2020-2021. The results suggest that many companies may have over-invested in unproductive assets. Company E incurred a net loss and a capital deficiency, but its shareholders have committed to supporting the company. The results are consistent with a study by Achina (2021) that found that companies with equity financing, proper liquidity management, and large company size tend to have better economic performance, and that smaller companies in certain industries have improved financial performance.

Table 3: Financial Performance of Selected Textile Industry with Respect to Net Margin

Net Profit Margin (NPM)

Company	2019			2020			2021		
	NPM	Score	Verbal Interpretation	NPM	Score	Verbal Interpretation	NPM	Score	Verbal Interpretation
A	0%	1	Terrible	0%	1	Terrible	2.40%	2	Bad
B	-6.73%	1	Terrible	1.22%	2	Bad	3.88%	2	Bad
C	-31.49%	1	Terrible	23.62%	5	Very Good	5.35%	3	Moderate
D	0%	1	Terrible	-45.78	1	Terrible	-65.91%	1	Terrible
E	0.00%	1	Terrible	28.24%	5	Very Good	-16.72%	1	Terrible
F	-11.69%	1	Terrible	-31.89%	1	Terrible	-11.24%	1	Terrible

The table shows that most of the companies have poor net profit margins (NPM) during 2019-2021, which indicates that they may have over-invested in assets that failed to generate revenue growth. Company A has not yet started its commercial operations, and as of December 31, 2020, it has a 0% NPM. Companies B, C, and E showed improvement in their NPM from 2019 to 2020, but the pandemic caused a decline in 2021. Companies D and F had poor NPM for three consecutive years. The decrease in ROI is attributed to the impact of the COVID-19 pandemic on sales and market size. Studies by Dimson et al. (2020), Eggers (2020), and Kalemli-Ozcan et al. (2020) show that SMEs are more affected by crises than big companies due to their lack of resources. Eggers (2020) suggests ways to overcome economic downturns in the areas of finance, strategy, and institutional environment. Dimson et al. (2020) found that the majority of SMEs in five European countries experienced a decline in revenue.

Table 3: Financial Performance of Selected Textile Industry with Respect to Current Ratio

Current Ratio (CR)

Company	2019			2020			2021		
	Current Ratio	Score	Verbal Interpretation	Current Ratio	Score	Verbal Interpretation	Current Ratio	Score	Verbal Interpretation
A	0%	1	Terrible	0%	1	Terrible	436.36%	5	Very Good
B	635.43%	5	Very Good	2148.58%	5	Very Good	758.15%	5	Very Good
C	121.40%	1	Terrible	765.00%	5	Very Good	1557.61%	5	Very Good
D	877.25%	5	Very Good	440.95%	5	Very Good	265.53%	5	Very Good
E	20%	1	Terrible	56%	1	Terrible	55.88%	1	Terrible
F	55%	1	Terrible	59%	1	Terrible	87.92%	1	Terrible

In 2019, Companies A, C, E, and F had a terrible current ratio while Companies B and D had a very good current ratio. The situation improved for Companies B, C, and D in 2020, while Companies A, E, and F continued to perform poorly. In 2021, Companies A, B, C, and D had very good current ratios, but Companies E and F still had a terrible ratio. Low current ratios suggest a company has difficulty paying short-term debts and can lead to bankruptcy. Good cash-flow management is critical, especially during a crisis, as late payments, late deliveries, and short credit indicate insufficient working capital.

Table 4: Financial Performance of Selected Textile Industry with Respect to Debt to Asset Ratio (DAR)

Company	2019			2020			2021		
	DAR	Score	Verbal Interpretation	DAR	Score	Verbal Interpretation	DAR	Score	Verbal Interpretation
A	0%	1	Terrible	0%	1	Terrible	11%	1	Terrible
B	26%	1	Terrible	5%	1	Terrible	13%	1	Terrible
C	43%	1	Terrible	4%	1	Terrible	3%	1	Terrible
D	10%	1	Terrible	20%	1	Terrible	93%	2	Bad
E	1%	1	Terrible	1%	1	Terrible	1%	1	Terrible
F	22%	1	Terrible	26%	1	Terrible	55%	1	Terrible

The table shows that companies A, B, C, E, and F had a terrible debt to asset ratio from 2019 to 2021, while company D had a bad ratio only in 2021. The results suggest that the increasing debt to asset ratio has been a significant factor leading to bankruptcies and liquidation, particularly in post-conflict and post-emergency situations. The pandemic has worsened the financial situation, resulting in higher rates of insolvency and bankruptcy. The study also supports the findings of Mirza et al. (2020a), which highlight the impact of COVID-19 on the solvency of non-financial companies in the EU, particularly in manufacturing, mining, and retail sectors. These sectors are more vulnerable to solvency issues due to declining market capitalization, probability of default, and cash flow insufficiency.

Table 5: Financial Performance of Selected Textile Industry with Respect to Debt to Equity Ratio (DER)

Company	2019			2020			2021		
	DER	Score	Verbal Interpretation	DER	Score	Verbal Interpretation	DER	Score	Verbal Interpretation
A	0%	1	Terrible	0%	1	Terrible	12%	1	Terrible
B	31%	1	Terrible	5%	1	Terrible	15%	1	Terrible
C	74%	1	Terrible	4%	1	Terrible	3%	1	Terrible
D	11%	1	Terrible	25%	1	Terrible	14%	1	Terrible
E	-546%	1	Terrible	-363%	1	Terrible	-298%	1	Terrible
F	27%	1	Terrible	35%	1	Terrible	122%	1	Terrible

The table indicates that all companies had terrible Debt to Equity Ratios in 2019, 2020, and 2021. The study of Rizvi et al. (2020a) supports these findings by assessing the impact of COVID-19 on the valuation of non-financial firms in 10 EU member states using a stress testing scenario approach. They found a significant loss in valuations across all sectors due to a possible decline in sales and an increase in the cost

of equity. The authors estimate that entities in some sectors may lose up to 60% of their intrinsic value in one year due to the crisis effect. Additionally, Yarovaya et al. (2020a) conducted stress tests on quarterly data to assess the impact of COVID-19 on loan portfolios of 255 credit institutions from 10 EU member states. Their findings revealed a deterioration in the quality of assets and capital adequacy, increasing the probability of default. Larger banks were found to be more sensitive to enhanced stress scenarios, which presents a threat of a systemic meltdown under pandemic conditions.

Significant Relationship between the Respondents' Assessment on the Business Continuity Plan of Selected Textile Industry and its Financial Performance

Table 6: Significant Relationship between the Respondents' Assessment on the Business Continuity Plan of Selected Textile Industry and its Financial Performance

Business Continuity Plan	Financial Performance	r	Sig.	H ₀	VI
Prevention	Return on Asset 2019	-.221	.674	FR	NS
	Return on Asset 2020	.448	.373	FR	NS
	Return on Asset 2021	.044	.934	FR	NS
	Net Profit Margin 2020	.222	.672	FR	NS
	Net Profit Margin 2021	.262	.616	FR	NS
	Current Ratio 2019	.371	.470	FR	NS
	Current Ratio 2020	.802	.055	FR	NS
	Current Ratio 2021	.414	.414	FR	NS
	Debt to Asset Ratio 2019	-.303	.559	FR	NS
	Debt to Asset Ratio 2020	-.303	.559	FR	NS
	Debt to Asset Ratio 2021	-.155	.770	FR	NS
	Debt to Equity Ratio 2021	.607	.202	FR	NS
Preparedness	Return on Asset 2019	.253	.629	FR	NS
	Return on Asset 2020	.275	.599	FR	NS
	Return on Asset 2021	-.140	.792	FR	NS
	Net Profit Margin 2020	-.009	.986	FR	NS
	Net Profit Margin 2021	.104	.844	FR	NS
	Current Ratio 2019	.188	.721	FR	NS
	Current Ratio 2020	.565	.243	FR	NS
	Current Ratio 2021	.165	.755	FR	NS
	Debt to Asset Ratio 2019	-.461	.358	FR	NS
	Debt to Asset Ratio 2020	-.461	.358	FR	NS
	Debt to Asset Ratio 2021	-.337	.513	FR	NS
	Debt to Equity Ratio 2021	.520	.290	FR	NS
Response	Return on Asset 2019	.111	.834	FR	NS
	Return on Asset 2020	.363	.479	FR	NS
	Return on Asset 2021	.339	.511	FR	NS
	Net Profit Margin 2020	-.442	.380	FR	NS
	Net Profit Margin 2021	.412	.417	FR	NS
	Current Ratio 2019	.326	.529	FR	NS
	Current Ratio 2020	.602	.206	FR	NS
	Current Ratio 2021	.651	.161	FR	NS
	Debt to Asset Ratio 2019	-.935	.006	R	S
	Debt to Asset Ratio 2020	-.935	.006	R	S
	Debt to Asset Ratio 2021	-.852	.031	R	S
	Debt to Equity Ratio 2021	.396	.437	FR	NS
Recovery	Return on Asset 2019	-.166	.753	FR	NS
	Return on Asset 2020	.210	.690	FR	NS
	Return on Asset 2021	-.144	.785	FR	NS

	Net Profit Margin 2020	.264	.614	FR	NS
	Net Profit Margin 2021	.166	.753	FR	NS
	Current Ratio 2019	.088	.869	FR	NS
	Current Ratio 2020	.537	.271	FR	NS
	Current Ratio 2021	.263	.614	FR	NS
	Debt to Asset Ratio 2019	-.166	.753	FR	NS
	Debt to Asset Ratio 2020	-.166	.753	FR	NS
	Debt to Asset Ratio 2021	-.014	.979	FR	NS
	Debt to Equity Ratio 2021	.610	.198	FR	NS
<i>Grand Mean</i>	Return on Asset 2019	-.004	.994	FR	NS
	Return on Asset 2020	.367	.474	FR	NS
	Return on Asset 2021	.032	.952	FR	NS
	Net Profit Margin 2020	.008	.988	FR	NS
	Net Profit Margin 2021	.263	.615	FR	NS
	Current Ratio 2019	.279	.592	FR	NS
	Current Ratio 2020	.703	.119	FR	NS
	Current Ratio 2021	.416	.412	FR	NS
	Debt to Asset Ratio 2019	-.521	.289	FR	NS
	Debt to Asset Ratio 2020	-.521	.289	FR	NS
	Debt to Asset Ratio 2021	-.381	.456	FR	NS
	Debt to Equity Ratio 2021	.590	.217	FR	NS

The table shows that there is no significant relationship between the respondents' assessment on the business continuity plan for textile in terms of Prevention, Preparedness, Response, and Recovery and various financial ratios such as Return on Asset and Net Profit Margin. However, there is a significant relationship between the respondents' assessment on the Response and Debt to Asset Ratio in 2019, 2020, and 2021. This suggests that a company's response to crises and customers affects its ability to meet financial obligations, and a positive Debt to Asset ratio indicates higher customer satisfaction. The study's results support previous findings that lower indebtedness increases returns when companies finance themselves through retained earnings rather than debt financing

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Strengths and Weaknesses of Selected Textile Businesses in CALABARZON with Regard to Business Continuity Plan

Table 7: Strengths and Weaknesses of Selected Textile Businesses in CALABARZON with Regard to Business Continuity Plan

Areas	Strength	Weaknesses
Prevention	-Creating new position in the market through new product development	-Procurement processes
Preparedness	-Implementation of Alternative Work Arrangement	-Limited number of workers
Response	-Integrating technology in business operations such as cashless payment and online transactions -Continuous training among staff and employees	-Cost of modern equipment
Recovery	-Building of well-designed and well-structured space/place. -Online (Digital) Marketing	-Additional cost for restructuring -No owned land for building -Not enough funding for restructuring the place of operations -Competition in the Digital world

The textile industry has been significantly impacted by the pandemic, resulting in high costs and price fluctuations. Manufacturers have taken several precautionary measures, including improved production control and safety measures, to mitigate risks and reduce worker exposure to harmful airborne particles. However, weaknesses in production processes have led to a reduction in sales and revenues, requiring drastic changes in marketing strategies to cater to changing market needs. Textile businesses need to re-evaluate their product development processes and procurement plans to adapt to the new demands and conditions resulting from the pandemic.

On the other hand, the adaptability of textile businesses is their strength during the pandemic. They can change their processes and amend their strategies to survive the worst possible situation. Streamlined supply chains, using more local sources and sustainable methods of production, have helped textile firms decrease their impact on the environment. Manufacturers have also invested in technology and training and implemented changes in their workforce through temporary layoffs. However, textile businesses still face many challenges that could pose threats to their long-term survival.

In addition, the pandemic has prompted textile businesses to implement and test new technologies to improve efficiency, provide services remotely, and enable individuals to work from home. Many companies have had to move offshore or shift all their operations online to adapt to the new normal.

Proposed Multi-Usable Framework (Model)

A multi-usable textile industry framework is an integrated framework that focuses on ensuring the business will continue to operate prior to, during, and after a disaster happens. The focus is on the business in its entirety and making sure critical services and functions provided by the business will still be performed,

both if threatened by disruption as well as after the threat has subsided. Organizations need to consider common threats to their critical functions as well as any associated vulnerabilities that might facilitate a significant disruption. Multi-Usable Textile industry framework provides a long-term strategy for continued successful operation despite inevitable threats and disasters.

2. Conclusions and Recommendations

The study draws several conclusions. Firstly, equity financing is the common source of capital for businesses in the textile industry. Secondly, educational attainment is still important for the overall operations of the business. Thirdly, businesses in the textile industry prioritize prevention, preparedness, response, and recovery in their business continuity plan. Fourthly, the financial performance of textile businesses has been greatly affected by the pandemic crisis. Fifthly, there is a significant difference between business response and financial performance. Sixthly, the weaknesses of textile businesses are in production, which requires drastic changes in marketing strategies, while the strength is their adaptability to change processes.

Based on these conclusions, several recommendations are suggested, including exploring various sources of capital, adhering strictly to risk management principles, providing training and development programs for employees, creating an effective threat identification policy, strengthening research and development, and conducting parallel studies on the business continuity plan of the textile industry. Additionally, creative use and integration of digital technology can be used to transform processes and make better use of available natural resources while enhancing product quality and efficiency in manufacturing.

3. Limitations of the Study

The study aimed to develop a framework for a sustainable and diversified textile industry recovery plan in the Philippines Region 4A CALABARZON. The survey questionnaire was conducted on SEC registered businesses under the textile industry, and only 51 business establishments were operating for at least three years, while 12 were not operating. From the 39 respondents, only 10 had a business continuity plan in place. The study used statistical treatment and Pearson r analysis to determine the significant relationship between the Business Continuity Plan and its financial performance. Qualitative discussion was used to determine the strengths and weaknesses of the textile industry in terms of Business Continuity Plan. The limitations of the study include a small sample size, limited participation in the survey and interview, and the study's focus on a specific region and industry.

4. Implications of the Study

The study has several implications for the textile industry in CALABARZON and for future research.

Firstly, the study highlights the need for businesses in the textile industry to have a Business Continuity Plan (BCP) in place to effectively respond to and recover from disasters and crises. The low percentage of businesses with a BCP underscores the importance of raising awareness and providing support for businesses to develop and implement such plans.

Secondly, the study provides a framework for developing sustainable and diversified practices in the textile industry, which can contribute to the long-term viability and growth of businesses in the region.

Thirdly, the study emphasizes the importance of financial performance and compliance with regulatory requirements for businesses in the textile industry. The findings suggest that businesses with stronger financial performance are more likely to comply with SEC requirements, which can have implications for their overall success and survival.

Fourthly, the study highlights the need for further research to explore the challenges and opportunities facing the textile industry in CALABARZON, particularly in the context of the ongoing COVID-19 pandemic and the changing global economic landscape.

Overall, the study provides valuable insights for policymakers, industry associations, and businesses in the textile industry in CALABARZON to develop strategies and policies that can support the growth and resilience of the sector.

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