

Digital Customer Engagement and Financial Stability of Micro, Small, and Medium Enterprises

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Abstract

This study examined the relationship between Digital Customer Engagement and Financial Stability among Micro, Small, and Medium Enterprises (MSMEs) in selected municipalities of Laguna. Using a mixed-methods descriptive-correlational design, the researchers gathered data through questionnaires and interviews. Digital Customer Engagement was assessed in terms of social media interaction, online communication, customer feedback, and communication responsiveness, while Financial Stability was measured through revenue consistency, profitability, cash flow management, and business sustainability. Quantitative data were analyzed using descriptive and inferential statistics, while interview responses were examined through thematic analysis. The findings revealed that participating MSMEs practiced high Digital Customer Engagement and reported high Financial Stability. Some respondent characteristics were significantly related to these variables, while others were not. All dimensions of Digital Customer Engagement had positive and significant relationships with Financial Stability, with Communication Responsiveness showing the strongest association. Qualitative findings emphasized the importance of digital communication, customer feedback, and timely responses in maintaining customer relationships. Overall, stronger Digital Customer Engagement was associated with better Financial Stability among the participating MSMEs. However, the results indicated a relationship rather than a causal effect and were limited to the selected municipalities.

Keywords: digital customer engagement; financial stability; online communication; customer feedback; communication responsiveness

1 Introduction

In today's competitive business environment, Micro, Small, and Medium Enterprises (MSMEs) need to maintain good relationships with customers while keeping their businesses financially stable. With the increasing use of digital platforms, many businesses now communicate with customers through social media, online messaging, and other digital channels. These platforms allow business owners to promote their products, respond to inquiries, receive feedback, and maintain customer relationships more conveniently.

Digital Customer Engagement has become an important part of modern business operations. Through platforms such as Facebook and other online communication channels, MSMEs can interact with customers, provide product information, answer questions, and understand customer needs. Regular interaction and timely responses may help businesses maintain customer satisfaction and encourage continued patronage. Customer feedback can also provide useful information for improving products and services and addressing customer concerns.

Along with customer engagement, financial stability remains important for the continued operation of MSMEs. Businesses need to maintain consistent revenue, manage profitability, handle cash flow, and sustain their operations despite financial challenges. Engaging with customers through digital platforms may be associated with better business performance by supporting customer relationships and helping businesses respond to market needs. However, financial stability also depends on other factors, including financial management and the overall business environment.

Despite the growing use of digital platforms, MSMEs may differ in how they interact with customers online and how they manage their financial resources. Some businesses regularly respond to inquiries and use customer feedback, while others may face challenges in maintaining consistent communication and sustaining their operations. This makes it important to examine whether digital customer engagement practices are significantly related to the financial stability of MSMEs.

This study aimed to examine the relationship between Digital Customer Engagement and Financial Stability among MSMEs in selected municipalities of Laguna, specifically Siniloan, Pakil, Paete, Lumban, Pagsanjan, and Sta. Cruz. It focused on social media interaction, online communication, customer feedback, and communication responsiveness, as well as revenue consistency, profitability, cash flow management, and business sustainability. The findings provide localized insights into how digital customer engagement practices are associated with the reported financial stability of participating MSMEs.

2 Methods

This study employed a mixed-methods descriptive-correlational research design to examine the relationship between Digital Customer Engagement and Financial Stability among Micro, Small, and Medium Enterprises (MSMEs). According to [Creswell and Plano Clark \(2018\)](#), mixed-methods research combines quantitative and qualitative approaches to provide a more comprehensive understanding of a research problem. In this study, the quantitative component assessed the extent of Digital Customer Engagement and the perceived level of Financial Stability, while the qualitative component gathered additional information about the experiences and practices of selected business owners or authorized representatives.

The study involved 120 MSME owners or authorized representatives from selected municipalities in the Fourth District of Laguna, specifically Siniloan, Pakil, Paete, Lumban, Pagsanjan, and Sta. Cruz. Purposive sampling was used to select respondents who had knowledge of their business operations, digital customer engagement practices, and financial management.

Data were collected using a structured questionnaire and semi-structured face-to-face interviews. The questionnaire covered the respondents' profiles, Digital Customer Engagement in terms of Social Media Interaction, Online Communication, Customer Feedback, and Communication Responsiveness, and Financial Stability in terms of Revenue Consistency, Profitability, Cash Flow Management, and Business Sustainability. The questionnaire used a four-point Likert-type scale, while the interviews gathered further information about the participants' experiences and business practices.

The quantitative data were analyzed using frequency, percentage, and rank distribution to describe the respondents' profiles, and weighted mean and rank distribution to assess Digital Customer Engagement and Financial Stability. The Chi-Square Test of Independence was used to examine the relationships between the respondents' profiles and the two main study variables, while Spearman's rho was used to determine the relationship between Digital Customer Engagement and Financial

Stability. The qualitative data were analyzed through coding and thematic analysis, in which similar responses were grouped according to recurring ideas and patterns. The quantitative and qualitative findings were then considered together during interpretation to provide a more comprehensive understanding of the results. Since the study used a descriptive-correlational design, the findings identified relationships among variables but did not establish cause-and-effect relationships.

3 Results and discussion

3.1 Profile of the respondents

The findings showed that the 120 respondents represented different age groups, educational backgrounds, business experiences, and types of enterprises. The largest age groups were 28–35 and 36–43 years old. Most respondents were female, and high school graduates comprised the largest educational group. In terms of monthly business revenue, most respondents reported earnings below ₱50,000.00. Many businesses had been operating for three to four years, and food and beverage businesses represented the largest share of the respondents. Small enterprises also comprised the majority of the participating businesses.

These findings showed that the study included MSME owners and authorized representatives with varied personal and business backgrounds. Examining these characteristics provided a basis for determining whether respondents' profiles were significantly related to their digital customer engagement practices and perceived financial stability. However, the profile alone did not establish whether a particular characteristic was associated with either study variable; this was examined through the appropriate statistical tests.

Table 1. Extent of Digital Customer Engagement.

Aspect	Mean	SD
Social Media Interaction	3.50	0.62
Online Communication	3.53	0.62
Customer Feedback	3.76	0.50
Communication Responsiveness	3.63	0.56

Based on the results in Table 1, Customer Feedback received the highest mean score of 3.76, with a standard deviation of 0.50, indicating that most respondents strongly agree that MSMEs value customer reviews and use feedback to improve their products and services. Overall, Digital Customer Engagement obtained a weighted mean of 3.61, with a standard deviation of 0.44, showing that the participating MSMEs have a high level of digital customer engagement and strongly agree with the importance of engaging with customers through digital platforms.

The results for the extent of Digital Customer Engagement in terms of Social Media Interaction can be seen in Table 2.

Table 2. Social media interaction.

Statement	Weighted Mean	Interpretation
Post business content regularly on social media platforms.	3.48	Strongly Agree

Statement	Weighted Mean	Interpretation
Respond promptly to customer inquiries through social media.	3.51	Strongly Agree
Engage customers through comments, reactions, and shares.	3.49	Strongly Agree
Use social media to promote products and services effectively.	3.53	Strongly Agree
Build customer relationships through social media engagement.	3.51	Strongly Agree
Overall mean	3.50	To a Great Extent

Table 2 shows the extent of Digital Customer Engagement in terms of Social Media Interaction. The highest mean of 3.53 indicates that respondents used social media to promote their products and services effectively. This was followed by responding promptly to customer inquiries and building customer relationships through social media engagement, both with a mean of 3.51. Meanwhile, posting business content regularly received the lowest mean of 3.48. Overall, the mean of 3.50, interpreted as Strongly Agree, indicates that the participating MSMEs practiced social media interaction to promote their businesses and maintain communication with customers.

The results for the extent of Digital Customer Engagement in terms of Online Communication can be seen in Table 3.

Table 3. Online communication.

Statement	Weighted Mean	Interpretation
Communicate with customers through digital messaging platforms.	3.52	Strongly Agree
Provide timely responses to customer concerns online.	3.56	Strongly Agree
Share important updates and announcements through digital channels.	3.53	Strongly Agree
Maintain clear and professional communication online.	3.53	Strongly Agree
Use online communication to improve customer satisfaction.	3.53	Strongly Agree
Overall mean	3.53	To a Great Extent

Table 3 presents the extent of Digital Customer Engagement in terms of Online Communication. The highest mean of 3.56 indicates that respondents provided timely responses to customer concerns online. Sharing business updates, maintaining professional communication, and using online communication to improve customer satisfaction each received a mean of 3.53. Meanwhile, communicating with customers through digital messaging platforms received a mean of 3.52. Overall, the mean of 3.53, interpreted as Strongly Agree, suggests that the participating MSMEs used online communication to provide information and respond to customer needs.

The results for the extent of Digital Customer Engagement in terms of Customer Feedback can be seen in Table 4.

Table 4. Customer feedback.

Statement	Weighted Mean	Interpretation
Encourage customers to leave reviews or feedback online.	3.75	Strongly Agree
Monitor customer feedback across digital platforms.	3.72	Strongly Agree

Statement	Weighted Mean	Interpretation
Respond appropriately to positive and negative feedback.	3.75	Strongly Agree
Use customer feedback to improve products and services.	3.80	Strongly Agree
Consider customer opinions in business decision-making.	3.78	Strongly Agree
Overall mean	3.76	To a Great Extent

Table 4 shows the extent of Digital Customer Engagement in terms of Customer Feedback. The highest mean of 3.80 indicates that respondents used customer feedback to improve their products and services. This was followed by considering customer opinions in business decision-making, with a mean of 3.78. Encouraging online reviews and responding appropriately to positive and negative feedback both received a mean of 3.75. Meanwhile, monitoring customer feedback across digital platforms received the lowest mean of 3.72. Overall, the mean of 3.76, interpreted as Strongly Agree, indicates that customer feedback was an important part of the participating MSMEs' efforts to improve their products, services, and business decisions.

The results for the extent of Digital Customer Engagement in terms of Communication Responsiveness can be seen in Table 5.

Table 5. Communication responsiveness.

Statement	Weighted Mean	Interpretation
Provide timely and appropriate responses to customer feedback and online concerns.	3.64	Strongly Agree
Address customer complaints and issues effectively through online communication channels.	3.60	Strongly Agree
Ensure that customer messages and concerns are acknowledged within a reasonable period of time.	3.64	Strongly Agree
Maintain consistent responsiveness when customers request information, assistance, or updates through digital platforms.	3.65	Strongly Agree
Use responsive communication practices to improve customer satisfaction and digital engagement.	3.63	Strongly Agree
Overall mean	3.63	To a Great Extent

Table 5 presents the extent of Digital Customer Engagement in terms of Communication Responsiveness. The highest mean of 3.65 indicates that respondents maintained consistent responsiveness when customers requested information, assistance, or updates through digital platforms. Providing timely responses to customer feedback and acknowledging customer concerns both received a mean of 3.64. This was followed by using responsive communication practices to improve customer satisfaction and digital engagement, with a mean of 3.63. Addressing customer complaints and issues effectively received the lowest mean of 3.60. Overall, the mean of 3.63, interpreted as Strongly Agree, suggests that the participating MSMEs made efforts to respond to customers and address their concerns through digital communication channels.

Concerning Digital Customer Engagement, the following interview response ideas were gathered from selected MSME owners or authorized representatives. The responses focused on the use of

digital platforms, customer feedback, and communication responsiveness based on the MSME owners.

O1: The business uses digital platforms to share business information and maintain communication with customers.

O2: The respondent emphasized answering customer questions as soon as possible through digital communication channels.

O3: The respondent's experience relates to the importance of gathering and considering customer feedback to identify areas for business improvement.

O4: The respondent's experience relates to using customer feedback and addressing customer concerns as part of customer engagement practices.

O5: Customer messages and concerns are acknowledged even when a complete response cannot immediately be provided.

The interview responses revealed important practices related to Digital Customer Engagement among the participating MSMEs. O1 and O2 highlighted the use of digital platforms to share business information and respond to customer inquiries. O3 and O4 emphasized the importance of customer feedback in understanding customer needs and improving products and services. Meanwhile, O5 focused on communication responsiveness, explaining that customer messages and concerns are acknowledged even when a complete response cannot be provided immediately. These responses show that digital customer engagement involves more than promoting products online; it also includes maintaining communication, considering customer opinions, and addressing customer concerns.

The findings are consistent with the quantitative results of the study, where Customer Feedback obtained the highest dimension mean of 3.76, followed by Communication Responsiveness at 3.63. Furthermore, Communication Responsiveness showed the strongest positive relationship with Financial Stability, with a Spearman's rho of 0.456 and a p-value of less than 0.001. These results suggest that customer feedback and responsive communication are important aspects of digital customer engagement among the participating MSMEs. By using digital platforms to communicate with customers, considering their feedback, and acknowledging their concerns, businesses can better understand customer needs and maintain customer relationships. However, the results indicate an association between digital customer engagement and financial stability, rather than proving that these practices directly cause greater financial stability.

The results for the level of Financial Stability of Micro, Small, and Medium Enterprises can be seen in Table 6.

Table 6. Level of Financial Stability of Micro, Small, and Medium Enterprises.

Statement	Weighted Mean	Interpretation
Maintain consistent monthly revenue in business operations.	3.71	Strongly Agree
Generate stable profits over time.	3.65	Strongly Agree
Meet regular operational expenses without difficulty.	3.65	Strongly Agree
Maintain healthy cash flow for daily operations.	3.68	Strongly Agree
Sustain business operations during financial challenges.	3.64	Strongly Agree

Statement	Weighted Mean	Interpretation
Set aside emergency funds for unexpected expenses.	3.66	Strongly Agree
Manage business debts and liabilities effectively.	3.64	Strongly Agree
Invest in business improvements or expansion when needed.	3.68	Strongly Agree
Experience financial growth compared to previous periods.	3.65	Strongly Agree
Maintain long-term financial sustainability of the business.	3.68	Strongly Agree

The interview responses revealed that the participating MSMEs emphasized the importance of consistent revenue, proper cash flow management, expense control, and financial preparedness in maintaining business stability. O1 highlighted the importance of monitoring monthly revenue to cover regular expenses and sustain operations. O2 emphasized maintaining sufficient cash flow for daily business needs, while O3 discussed setting aside emergency funds for unexpected expenses. O4 stressed the importance of managing expenses, paying obligations on time, and monitoring debts and liabilities. Meanwhile, O5 explained that controlling unnecessary expenses and managing available funds help businesses continue operating during financial difficulties. These responses show that MSMEs maintain financial stability through careful financial planning, responsible spending, and preparation for unexpected challenges.

The findings also support the quantitative results presented in Table 6, which showed that the participating MSMEs strongly agreed with all statements related to financial stability. Maintaining consistent monthly revenue received the highest weighted mean of 3.71, while sustaining business operations during financial challenges and managing debts and liabilities both received the lowest weighted mean of 3.64. These results indicate that the participating MSMEs generally practice financial management strategies to maintain their operations and meet their financial obligations. Overall, the quantitative and qualitative findings highlight the importance of consistent income, effective cash flow management, emergency preparedness, and responsible expense control in supporting the financial stability and long-term sustainability of MSMEs.

Concerning the level of financial stability, the following statements were acquired during the face-to-face interview:

O1: Consistent monthly revenue helps cover regular expenses and keep the business operating. Sales and income are monitored to assess financial stability.

O2: Sufficient cash flow is important for daily operations. Funds are maintained for supplies, salaries, utilities, and other expenses even when sales vary.

O3: Money is set aside for emergencies because unexpected expenses may occur. Emergency funds help reduce the need for immediate borrowing.

O4: Expenses are managed carefully, and regular obligations are paid on time. Debts and liabilities are also monitored to avoid financial problems.

O5: Financial challenges are part of business operations, so unnecessary expenses are controlled and available funds are managed to keep the business operating when income decreases.

The participating MSMEs emphasized the importance of consistent revenue, proper cash flow management, and expense control in maintaining financial stability. O1 highlighted how consistent monthly revenue helps cover regular expenses and sustain business operations. O2 emphasized the

importance of maintaining sufficient funds for daily expenses, such as supplies, salaries, and utilities. O3 stressed the value of setting aside emergency funds to prepare for unexpected expenses and avoid borrowing. O4 highlighted the importance of managing expenses, paying obligations on time, and monitoring debts. Meanwhile, O5 emphasized controlling unnecessary expenses and managing available funds to keep the business operating during financial difficulties.

The relationship between the profile of the respondents and the extent of Digital Customer Engagement can be seen in Table 7.

Table 7. The relationship between the profile of the respondents and the extent of Digital Customer Engagement.

Variable	p-value	Relationship
Age	<.001	Highly Significant
Sex	0.664	Not Significant
Educational Attainment	0.057	Not Significant
Monthly Business Revenue	0.879	Not Significant
Years of Business Operation	0.001	Significant
Type of Business	<.001	Highly Significant
Business Classification	0.675	Not Significant

The profile of the respondents showed no significant association with the level of Financial Stability among the participating MSMEs. This indicated that the respondents' demographic and business characteristics, including age, sex, educational attainment, monthly business revenue, and years of business operation, were not significantly associated with their financial stability. Despite differences in their backgrounds and business experiences, the results suggested that these characteristics did not significantly distinguish the financial stability of the participating MSMEs. This implies that financial stability may be more closely related to business practices, financial management, and how enterprises maintain customer relationships than to the owners' personal profiles alone.

The results for the relationship between the extent of Digital Customer Engagement and the level of Financial Stability of Micro, Small, and Medium Enterprises can be seen in Table 8.

Table 8. The relationship between the extent of Digital Customer Engagement and the level of Financial Stability of Micro, Small, and Medium Enterprises.

Variable	Spearman's rho	p-value	Relationship
Social Media Interaction	0.254	0.005	Significant
Online Communication	0.332	<.001	Highly Significant
Customer Feedback	0.354	<.001	Highly Significant
Communication Responsiveness	0.456	<.001	Highly Significant

There was a significant relationship between Digital Customer Engagement and Financial Stability among the participating MSMEs. All four dimensions: Social Media Interaction, Online Communication, Customer Feedback, and Communication Responsiveness showed positive relationships with Financial Stability, with Communication Responsiveness having the strongest association, followed by Customer Feedback and Online Communication. These findings suggest that maintaining active com-

munication, responding promptly to customer concerns, and using feedback to improve products and services are important business practices associated with financial stability. This is supported by Matosas-López (2024), who found that customer engagement through social media was associated with operating revenue among SMEs, particularly when combined with other digital marketing activities. The findings therefore highlight the relevance of digital customer engagement to MSMEs' financial stability, although the results establish an association rather than direct causation.

4 Conclusions

Based on a thorough assessment and interpretation of the results, the study arrived at the following conclusions:

1. The study found that the respondents' profiles had varying relationships with Digital Customer Engagement. Type of business was significantly related to the extent of digital customer engagement, while other profile variables did not show significant relationships. This indicated that the use of digital engagement practices may depend partly on the nature and needs of the business.
2. The respondents' profiles also showed varying relationships with Financial Stability. Type of business was significantly related to financial stability, while other profile variables did not show significant relationships. This suggested that the financial condition of MSMEs may differ according to the type of business rather than the owners' personal backgrounds alone.
3. There was a significant positive relationship between Digital Customer Engagement and Financial Stability. All four dimensions were significantly related to financial stability, with Communication Responsiveness showing the strongest association, followed by Customer Feedback and Online Communication. These findings highlighted the importance of maintaining customer communication and using feedback to support stable business operations.

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