

Sustainability of Barangay Micro Business Enterprises (BMBEs) in Banna, Ilocos Norte

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Abstract

This study determined the sustainability of Barangay Micro Business Enterprises (BMBEs) in Banna, Ilocos Norte. The research design for this study was descriptive-correlational. Data were gathered using a self-constructed questionnaire, which has been pre-tested to 30 other microenterprises and validated using Cronbach alpha. The participants were the owners of the 60 registered BMBEs in Banna, Ilocos Norte. This study was conducted from July to August 2020. The study found out that the BMBEs sometimes practice financial management, marketing, and manufacturing or trading practices. They have never availed of the different benefits and incentives that are provided in the BMBE Law. They sometimes experience problems that affect their operations. The BMBEs have moderate economic sustainability but high social and environmental sustainability. The business practices have a significant positive relationship with the BMBEs sustainability, while the benefits and incentives have a significant negative relationship with the BMBEs sustainability. However, the problems they encounter has no significant relationship with sustainability. The BMBEs are vulnerable, but by following different business practices, they manage to become sustainable despite their failure to avail the different benefits and incentives provided in the BMBE Law and the problems that they encounter in their business operations.

Keywords: *Barangay Micro Business Enterprises, Benefits and Incentives, BMBE Law, Business Practices, Sustainability*



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INTRODUCTION

The 1987 Philippine Constitution considers entrepreneurship as an instrument for economic development. Business entities are the drivers of economic stability and growth by generating jobs, providing valuable services, products, and taxes that directly contribute to society's well-being. According to Evangelista (2013), entrepreneurship in the Philippines is considered to empower the marginalized, improve production, and encourage advancement and modernization. The Global Entrepreneurship Monitor (2014) claimed that Filipinos' social and cultural orientation that entrepreneurship will uplift their economic and social status serves as one of the major factors for them to engage in entrepreneurship. Moreover, Filipinos are encouraged to try various entrepreneurial activities since they have a large domestic market and high consumer spending. According to Velasco et al. (2017), the opportunity to earn more rather than necessity primarily motivated Filipinos to become entrepreneurs.

Microenterprises make up the bulk of businesses in the Philippines and contribute significantly to exports and employment. Of the 1,000,506 registered businesses in the country, 995,745 (99.5%) belongs to the micro, small, and medium enterprises (MSMEs) sector while 4,761 (0.5%) are large enterprises. The MSME sector is composed of 891,044 (89%) micro-enterprises, 99,936 (10%) small enterprises, and 4,765 (0.50%) medium enterprises. As of 2019, this sector

provided 5,510,760 jobs, equivalent to 62.4% of the nation's total employment, while large enterprises generated 3,315,575 jobs or 37.6%. It is estimated that MSMEs account for 60% of all exporters in the country and contribute 25% to the total export revenue through sub-contracting arrangements with large enterprises or as suppliers to exporting companies (2019 List of Establishments of the Philippine Statistics Authority, as quoted by the Department of Trade and Industry).

The MSMEs are encountering problems that affect their business operations. Such problems include access to finance, the cost of doing business and its business environment, access to market, productivity and efficiency, climate change impact, and the ease of undertaking disaster recovery (MSME Development Plan 2017-2022). Firms facing cash shortages have problems with their expenditure, while firms facing cash surplus encounter problems where surplus should be invested to earn profit since most firms do not have options to invest the surplus cash (Muneer et al., 2017). Parinduri (2014) found out that the sickness of family members, crop losses, or natural disasters reduces firms' assets, and severe family hardship impedes micro and small firms' growth. Moreover, having inadequate financial management skills such as bookkeeping, cash, and inventory management could threaten a business' survival (Okpara as cited by Abimbola and Kolawole (2017).

The MSME Development Plan 2017-2022 cited various policies and programs in four (4) outcome areas. These include the business environment, access to finance, access to markets, and productivity and efficiency. One of the various republics acts that have been created to support MSMEs is the Barangay Micro Business Enterprises (BMBEs) Act of 2002 (R.A. No. 9178). This Act aims to include in the mainstream of the economy those microenterprises in the informal sector. With their contribution to the nation's economic progress, assisting the development of BMBEs will give employment and income source and uplift the quality of life for Filipinos. A BMBE is defined under the BMBE Law, R.A. 9178 Act of 2002 as any business enterprise involved in the production, processing, or manufacturing of products. It includes agro-processing, trading and services, with total assets of not more than P3 million. These assets shall include those arising from loans but not the land on which the plant and equipment are located.

The BMBE Act provides benefits and incentives to encourage both aspiring and existing entrepreneurs to register their businesses. Such benefits and incentives include exemption from income tax for income arising from the enterprise's operations. The aforementioned enterprises will also have an exemption from the Minimum Wage Law, but their employees would still retain the same benefits such as social security and health care. These enterprises are given priority in availing financing from the particular credit window set up expressly for them. BMBE beneficiaries are assisted as to production, technology transfer, marketing programs and management training. The local government units may also decrease or exempt them from local taxes, charges, and fees.

Despite the programs and activities that the government is implementing, the nation's business discontinuance rate is 12.6% (Global Entrepreneurship Monitor, 2014). This rate surpasses the average for ASEAN, which is 4.8%. Meager profitability and absence of access to capital are the major causes for closing the business.

With the impact of MSMEs on the economy, ensuring the sustainability of their business operations is necessary. Aside from MSMEs' challenges, particularly the BMBEs, determining their sustainability factors is also essential. This study determined the sustainability of Barangay Micro

Business Enterprises (BMBEs) in Banna, Ilocos Norte. Specifically, it sought answers to the following:

1. What are the business practices of BMBEs?
2. What are the benefits and incentives availed by BMBEs?
3. What are the problems encountered by BMBEs?
4. How economically, socially, and environmentally sustainable are the BMBEs?
5. Is there a significant relationship between the BMBEs sustainability and their:
 - 5.1 business practices;
 - 5.2 benefits and incentives availed of; and
 - 5.3 problems encountered?

LITERATURE REVIEW

Business practices such as financial management practices, marketing practices, and manufacturing practices can affect business performance. According to Muneer et al. (2017), financial management practices have a significant effect on the profitability of SMEs. However, the moderator, which is the agency cost, does not affect this relationship. Likewise, good working capital management practices have significance to the performance of SMEs (Abimola & Kolawole, 2017).

SMEs' performance has a positive relationship with cash management practices (Abimbola and Kolawole, 2017; Smirat, 2016; Hassan et al., 2017). Hassan et al. (2017) and Lamptey et al. (2017) used the cash conversion cycle as an indicator of cash management. Hassan et al. (2017) found out that cash management positively affects the financial performance of SMEs. Lamptey et al. (2017) argued that the average cash conversion period is negatively related to performance (Return on Capital Employed) but statistically significant.

On receivable management, Hassan et al. (2017) used the receivable turnover ratio to indicate financial performance. Their findings showed that the receivable turnover ratio has a negative effect on financial performance. Similarly, the study of Lamptey et al. (2017) revealed that the average account collection period is negatively related and statistically significant to ROCE, which indicates that a decrease in the account collection period would increase financial performance.

For inventory management practices, inventory investment had positive relationships with SMEs' performance (Abimbola and Kolawole, 2017). Also, the inventory turnover had positive relationships with SMEs' performance (Abimbola and Kolawole, 2017; Hassan et al., 2017). On the other hand, the average inventory turnover period is negatively related to Return on Capital Employed (ROCE) but statistically significant (Lamptey et al., 2017) and inventory shrinkage had a negative relationship with the performance of SMEs (Abimbola and Kolawole, 2017).

In terms of financing, Baños-Caballero et al. (2016) revealed that an appropriate financing strategy could increase a firm's performance. Some studies focused on the effect of microfinance on microenterprise performance. According to Atmadja et al. (2018), microfinance may not certainly matter for the microenterprise's performance. However, Crépon et al. (2011) argued that microfinance positively affects the microenterprise's performance. In accessing credit, group

networks and mobile telephony impact the lending outcomes to MSMEs and positively affect the access to formal credit of MSMEs (Mdoe&Kinyanjui, 2018).

With the intense competition that businesses face, it is necessary to create creative and decisive marketing strategies and get closer to the prevailing winning marketing strategic practices appropriate for their economic environment (Sithole et al., 2018). Relationship marketing strategy has a significant relationship with the increase in market share of SMEs (Ebitu, 2016). Having long-lasting relationships ensures customers and repeat sales (Martins, 2015, cited by Ebitu, 2016). Focusing on customer orientation is necessary as this has a significant positive association with firm performance. Also, it is essential to have business, political, and social network ties since it has a positive and significant direct relationship with firm performance (Neneh 2017).

In obtaining behavioral loyalty in SMEs, pricing, services, and communication (Web page and in-store communication) are the critical elements of the strategy (Lopez-Jáuregui et al., 2019). Social media is influencing the SMEs in the Arab, being a marketing platform that helps increase sales with lower costs and expenditures, resulting in profitability (Sha et al., 2019). Further, using Facebook positively affects SMEs' financial performance and non-financial performance, lowering cost on marketing and customer service, enhanced customer relations, and better information accessibility (Ainin et al., 2015). However, according to Ebitu (2016), marketing communication strategy does not significantly impact the growth of SMEs. Promotion is significant to business performance, but they are inversely related. According to Ebitu (2016), product quality strategy and profitability of SMEs has a significant relationship. Branding is essential in the SME context since corporate trademarks and marketing expenses are positively associated with SMEs' sales performance (Agostini et al., 2015).

Lean Manufacturing Practices (LMP) are associated positively with various sustainability performances categorized as economic, environmental, and social (Sajan et al., 2017). Likewise, higher inventory management practices can also lead to an improved competitive advantage and improved organizational performance (Atnafu & Balda, 2018).

RESEARCH METHOD

Research Design

The research design for this study is descriptive-correlational. It described the business practices, benefits and incentives availed, problems encountered, and sustainability of BMBEs. Also, it measures the correlation between business practices, benefits and incentives availed, problems encountered, and sustainability.

Respondents of the Study

The participants of the study were the registered Barangay Micro Business Enterprises (BMBEs) in Banna, Ilocos Norte. The list was provided by the Department of Trade and Industry - Ilocos Norte Provincial Office. Total enumeration was employed in this study. However, out of the 86 registered BMBEs, only 60 participated. The remaining 21 BMBES were already closed or could no longer be found. Their consent was sought before the conduct of the survey.

Instrument

The researcher constructed the survey questionnaire based on literature reviews. To validate the instrument, it was subjected to pilot testing. It was pre-tested to 30 other micro- enterprises in Ilocos Norte. The result of the pre-test is acceptable based on Cronbach's alpha of 0.70. The questionnaire was also translated in Iloco.

Data Gathering Procedure

This study used a survey questionnaire. Permission was asked from the respondents. The researcher, together with an enumerator, administered the distribution and retrieval of the instrument. Answering the questionnaire took 30 minutes to 1 hour. This study was conducted from July to August 2020.

Statistical Measure

The data were analyzed using weighted mean and Pearson R. The weighted mean was utilized to analyze the business practices, the benefits and incentives availed, problems encountered by BMBEs, and the entrepreneur's self-evaluation on his business' economic, social and environmental sustainability. The following range of values with their descriptive interpretation is shown below.

Table 1. Range of Value

Statistical Range	Descriptive Interpretation	
4.21 - 5.00	Always	Very high
3.41- 4.20	Often	High
2.61- 3.40	Sometimes	Moderate
1.81 - 2.60	Seldom	Low
1.00 - 1.80	Never	Very Low

Pearson R was used to measure the relationship between the BMBEs' economic, social, and environmental sustainability and their business practices, the benefits and incentives availed, and the problems encountered.

FINDINGS AND DISCUSSION

Business Practices of BMBEs

It can be gleaned from Table 1 that the BMBEs sometimes execute the different business practices as indicated by the overall mean of 2.73. They seldom perform financial management and marketing practices with composite mean of 2.50 and 2.16, respectively. However, they often perform manufacturing/trading practices as indicated by the composite mean of 3.52.

Table 2. Business Practices of BMBEs in Banna, Ilocos Norte (n=60)

Business Practices	Mean	Descriptive Interpretation
<i>Financial Management Practices</i>		
<i>Accounting Practices</i>	2.98	Sometimes
<i>Cash Management</i>	2.65	Sometimes
<i>Accounts Receivable Management</i>	2.45	Seldom

<i>Inventory Management</i>	2.51	Seldom
<i>Financing</i>	1.89	Seldom
<i>Composite Mean</i>	2.50	Seldom
Marketing Practices	2.16	Seldom
Manufacturing/Trading Practices		
Flow Management	3.30	Sometimes
Process Management	3.90	Often
Customer Management	3.64	Often
Supplier Management	3.62	Often
Work Management	3.13	Sometimes
Composite Mean	3.52	Often
Overall Mean	2.73	Sometimes

Benefit and Incentives Availed

Table 3 shows that the BMBEs never availed the benefits and incentives provided in the BMBE Law. According to them, they are unaware of these benefits.

Table 3. Benefit and Incentives Availed by BMBEs in Banna, Ilocos Norte (n=60)

Benefit and Incentives	Mean	Descriptive Interpretation
Exemption from income tax for income derived from the operation of the business	1.22	Never
Exclusion from the coverage of the Minimum Wage Law (their employees will still get the same social security and health care benefits)	1.20	Never
Priority to a particular credit window set up, especially for the financing of BMBEs	1.18	Never
Technology transfer, production and management training, and assistance to marketing programs	1.23	Never
Reduced amount or exempt from local taxes, fees, and charges imposed	1.20	Never
Overall Mean	1.21	Never

Problems Encountered by BMBEs

Table 4 shows that the BMBEs sometimes encounter problems in their operations, as indicated by the mean of 2.47. The BMBEs often experience the problem of cost of doing business.

Table 4. Problems Encountered by BMBEs in Banna, Ilocos Norte (n=60)

Problems	Mean	Descriptive Interpretation
Access to finance	3.25	Sometimes
Cost of doing business	3.48	Often
Productivity and efficiency	2.53	Seldom
Access to market	2.78	Sometimes
Impact of climate change	2.90	Sometimes
Undertaking disaster recovery	2.90	Sometimes
Severe family hardship	2.15	Seldom
Failure to separate business' money from personal money	2.02	Seldom
Lack of discipline in using the loan borrowed	1.45	Never
Do not have adequate financial management skills such as bookkeeping, cash and inventory management skills	1.97	Seldom

Do not use their working capital in such a way as to enjoy maximum profit	1.57	Never
Cash shortage	2.70	Sometimes
Cash surplus	2.42	Seldom
Overall Mean	2.47	Sometimes

Sustainability of BMBEs

It can be gleaned from Table 5 that the BMBEs have moderate sustainability, as indicated by the overall mean of 3.38. They have moderate economic sustainability but high social and environmental sustainability.

Table 5. Sustainability of BMBEs in Banna, Ilocos Norte (n=60)

Business Sustainability	Mean	Descriptive Interpretation
Economic Sustainability		
Increase in sales	3.02	Moderate
Increase in profit	3.02	Moderate
Increase in market share	2.88	Moderate
Increase in return on investment (ROI)	2.82	Moderate
Increase in return on assets (ROA)	2.77	Moderate
Increase in number of employees	1.83	Low
Decrease in cost and expenses	2.45	Low
Composite Mean	2.68	Moderate
Social Sustainability		
Safety and health of employees	4.03	High
Labor relationship	3.88	High
Training and Education	3.30	Moderate
Decrease in rate of customer complaints	3.53	High
Composite Mean	3.69	High
Environmental Sustainability		
Reduction in environmental business wastage	4.08	High
Reduction in emission/unit of production	3.75	High
Reduction in material usage	3.62	High
Reduction in energy/fuel usage	3.63	High
Composite Mean	3.77	High
Overall Mean	3.38	Moderate

Correlation between Business Practices, Sustainability of BMBEs

Table 6 shows that BMBEs' business practices are significantly related to their economic, social, and environmental sustainability. The benefits and incentives they avail are negatively associated with their social and ecological sustainability. However, the problems they encounter are not significantly related to their economic, social, and environmental sustainability.

Table 6. Correlation between Business Practices, Benefits, and Incentives, Problems Encountered and Sustainability

		Economic Sustainability	Social Sustainability	Environmental Sustainability
Business Practices	Pearson Correlation	.576**	.465**	.574**
	Sig. (2-tailed)	.000	.000	.000
	N	60	60	60
Benefits and Incentives	Pearson Correlation	.021	-.380**	-.352**
	Sig. (2-tailed)	.871	.003	.006

	N	60	60	60
Problems Encountered	Pearson Correlation	.079	.084	.208
	Sig. (2-tailed)	.551	.524	.110
	N	60	60	60

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

CONCLUSION

The Barangay Micro Business Enterprises (BMBEs) in Banna, Ilocos Norte implement different business practices. The findings show that these business practices help them to survive their day-to-day business operations. Moreover, they manage to become sustainable by executing these business practices, despite their failure to avail the different benefits and incentives provided in the BMBE Law and their problems in their business operations. Thus, the BMBEs should give importance to the execution of these business practices and consider availing the benefits and incentives as this help them to attain sustainability. This study also suggests that government agencies should increase the awareness of BMBEs as to the benefits and incentives that they could avail. They should also come up with programs to address the problems encountered.

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