Constraints on Microenterprise Expansion in a Municipality of Bohol

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ABSTRACT

Barriers to the growth experienced by one hundred seventeen (117) microenterprise owners (MEO) in Candijay, Bohol as of 2019 were assessed as financial, organizational, external, social, and legal or institutional barriers using a descriptive survey. With the owners' profile in terms of personal, educational and business position was sought the degree of relationship with perceived barriers on the growth, correlation of length of business operation with the extent of growth barriers, and variance among the growth barriers. The findings would be shared with the local government decision-makers to further improve the business environment in the municipality. The majority of the MEO was female with an average age of thirty-six (36) years old operating for ten (10) years. MEO age had a significant relationship with the perceived barrier on the growth of microenterprise while sex, civil status, and educational attainment had none. There was no significant degree of correlation between the number of years of business operation and the perceived barriers on the growth of microenterprise but there was a significant degree of variance among the five identified barriers on the growth of microenterprise. Legal or institutional barriers was the top barrier that hinders the growth of microenterprise and followed by financial barriers and organizational barriers. The researcher formulated a course of action for entrepreneurs with the support of the local government to address the barriers. Among the proposed actions were facilitating access to credit, products and services innovation, participation in training seminars for business sustainability.

Keywords: Microenterprises, SME, Barriers to Business, Entrepreneurship, Candijay, Bohol, Philippines, Asia

INTRODUCTION

Business begins with an idea or concept and a specific name. Extensive market research is necessary to find out whether the translation of the insight into reality is feasible and if the proponent can deliver value to customers differing on the scale of operation. The population in the place of business must be given high consideration in crafting the plan. Sustainability can be assured by the owner's entrepreneurial ability and business conduciveness in the locality.

Business is an activity that can either be commercial (earning money or profit in return from selling goods or providing services) or mercantile (exchange of products and services between two or more individual business firms) engaged in as a means of livelihood. Engaging in an enterprise can improve economic conditions depending on the effort invested by the entrepreneur. A business operation by an individual or a family business with fewer than five employees or workers is a microenterprise. This business category is a subset of small business, but the majority where the owner is the sole operator and worker, lead many to refer to this phenomenon as self-employment (da Costa Pedro, 2014).

In sub-Saharan Africa, over 80% of the workforce is self-employed in small and household enterprises. These enterprises became particularly important not only due to the jobs they create but also because they serve as an instrument of "participatory development" since they enable a more extensive section of the population, mainly poor, to participate in the developmental process. This business is usually run by people with lower levels of educational attainment and skills and handle relatively simple products. As a result, most of these micro enterprises have shown low survival rates, low growth levels, and low investment levels (da Costa Pedro, 2014).

In the Philippines, micro-, small-, and medium-enterprises (MSMEs) have a vital role in developing the economy and help reduce poverty by creating jobs for the country. MSMEs stimulate economic development in rural and far-flung areas (Senate Economic Planning Office, 2012). Microenterprises encounter problems such as

inadequate production and supply of raw materials, inaccessibility of finance, poor marketing strategies, and underutilization of capacity which affect its ability to grow and develop. Per 2015 data from the Philippines Statistics Authority (PSA), there were 900,914 establishments in the Philippines. Of these, 99.5% (896,839) were MSMEs and 0.5% (4.075) large enterprises with 89.9% of the MSMEs as microenterprises.

Despite representing an array of industries and its capacity to generate employment, the MSMEs sector in the Philippines has relatively low value-added to the economy. The Department of Trade and Industry (DTI) estimated that MSMEs contributed 35.7% of economic value-added, more than in other Asian economies (Department of Trade and Industry, 2019). MSMEs with most businesses, low employment rate, low economic value added is recognized as a primary source of employment and income in developing countries like the Philippines. However, when MSMEs grow, they can contribute more to economic growth and leads to poverty reduction.

Business failure or its underdevelopment rests between applied marketing strategies and exploiting specific or identified opportunities. Population growth, unique natural attractions, and above-average educational capabilities in the municipality of Candijay presented business opportunities for business-minded residents. Per the 2015 census, the population was 29,475 with about 120 registered MSMEs. Microenterprises in Candijay follow the general profile of similar businesses throughout the country and some have remained stagnant for many years still to discover the reasons hindering them from growing. Thus, the researcher aware of the value and importance of microenterprises was encouraged to study these hindering issues with the findings to serve as a benchmark and to guide the expansion of microentrepreneurs.

Objectives

The main thrust of this study was to assess the barriers to the growth of microenterprises in Candijay, Bohol for the year 2019. The findings of the study served as the basis of proposing an action plan. Specifically, it sought to determine the following:

1. Profile of the respondents, in terms of: age, civil status, highest educational level, and sex
2. Business profile of the microenterprises in terms of the following: number of years in operation, capitalization, type of business, and number of employees.
3. Growth barriers of microenterprises as perceived by the respondents in terms of: financial barriers, organizational barriers, external barriers, social barriers, and legal or institutional barriers.

METHODOLOGY

Design

This research work employed the Quantitative Method of Research using the Descriptive Survey Method of research was utilized with the aid of an adopted questionnaire from Louis et al (2011) as the primary data gathering tool distributed to the respondents who were microenterprise owners of Candijay, Bohol. This method is appropriate for the study because it determines the phenomenon of the growth of microenterprises in the locale of the study. Moreover, a documentary analysis was utilized for business profiles based on the data of the Business Permit Licensing Office (BPLO) of Candijay LGU.

Respondents

The respondents of the study were the microenterprise owners who were determined using convenience sampling. This research was conducted having at least three respondents in each barangay to answer the call of this study. A total of 117 respondents respectively.

Table I Research Respondents

Barangay	Respondents
Abihilan	6

Anoling	4
Boyoan	5
Cadapdapan	4
Cambane	3
Can-olin	7
Canawa	5
Cogtong	7
La Union	7
Luan	4
Lungsodaan	9
Mahangin	4
Pagahat	5
Panadtaran	4
Panas	6
Poblacion	9
San Isidro	5
Tambongan	8
Tawid	3
Tubod	5
Tugas	7
Total Number of Respondents	117

Environment

The locale of the research is the town of Candijay, Bohol that was established in 1879. It is composed of 21 barangays and located on the eastern part of Bohol approximately 92 kilometers away from Tagbilaran City, the capital city of the Province of Bohol. The town has a land area of 8,687 hectares. Candijay is classified 4th class municipality with an average annual income of P45,593,029 for CY 2019. According to the 2015 census, it has a population of 29,475 with 5,951 households. Fishing and farming are the economic subsistence or livelihood for its majority.

Instruments

To collect the data and information needed, the researcher used a questionnaire as the main gathering tool that was adopted from the study of Luis et al (2011). For the convenience of the respondents, it was modified by the researcher and to be validated by the research authorities. The questionnaire was divided into two parts. The first part consists of the demographic profile of the respondents determining the respondent's sex, the age group which they belong, and their highest educational level. The second part deals with the possible barriers that may hinder the growth of the microenterprise. It was subdivided into five (5) sections namely, Financial Barriers, Organizational Barriers, External Barriers, Social Barriers, and Legal/Institutional Barriers. Each statement/question was explained by the researcher in order to facilitate complete understanding and support by a personal interview. Also, data from the Business Permit Licensing Office (BPLO) of LGU Candijay was used for documentary analysis.

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Data Gathering Procedure

A letter asking for authority for the conduct of the study in the town of Candijay, Bohol is being prepared initially to the Vice-President for Academics and the Dean of the Graduate School subject for approval. This undertaking guarantees the objectivity and legitimacy of the study. Subsequently, the researcher communicated the same letter of request of consent to administer a research study to the Municipality Mayor of Candijay, respectively. It primarily sought approval to distribute the questionnaire to respondents.

Data Treatment

1. Frequency Count and Simple Percentage: To determine the information about the demographic profile of the respondents in terms of age, sex, and year level.

2. Weighted Mean: To measure the central tendency, where some values are given importance over others. This was used to gauge the average value of responses to items in the questionnaire.

RESULTS AND DISCUSSION

This part discloses the gathered data on the profile of the respondents as well as their business profile and perception of the growth barriers of microenterprises in Candijay, Bohol. The data were presented in tabular form and were analyzed and interpreted in accordance with the specific problems of the study.

Demographic Profile of the Respondents

Presented in table below is the demographic profile of the respondents such as age, civil status, highest educational level, and sex.

Table II Demographic Profile of the Respondents

	Items	F	%	Rank
Age:	18 to 25	1	0.85	3
	26 to 35	18	15.38	2
	36 or more	98	83.76	1
	Total	117	100%	
Civil Status:	Single	6	5.13	3
	Married	97	82.91	1
	Separated	2	1.71	4
	Widow	12	10.26	2
	Total	117	100%	
Highest Education Level:	Elementary	22	18.80	3
	High School	46	39.32	2
	College	49	41.88	1
	Total	117	100%	
Sex:	Male	18	15.38	2
	Female	99	84.62	1
	Total	117	100%	

1) Age. As to age group, the table shows that age ranging from thirty-six or more (36 or more) were ranked as to the highest frequency of ninety-eight (98) or 83.76% of the population while ages ranging from twenty-six

to thirty-five (26-35) got the second frequency of eighteen (18) or 15.38%, and ages from eighteen to twenty-five (18-25) got the lowest frequency of one (1) or 0.85% of the total population.

2) Civil Status. In terms of civil status, it shows that most of the respondents were married with a frequency of ninety-seven (97) or 82.91% of the total population. Meanwhile, there were twelve (12) or 10.26% who are widows, six (6) or 5.13% who are single, and two (2) or 1.71% who were separated.

3) Highest Educational Level. Regarding the highest educational level, it shows that most of the microenterprise' owners in Candijay, Bohol are college graduates with a frequency of forty-nine (49) or 41.88%. Second and nearly equal to this are the forty-six (46) respondents or 39.32% of the total population whose educational attainment was at a secondary level only; the lowest frequency belonged to the elementary level with the total frequency of twenty-two (22) or 18.80%.

4) Sex. In the distribution of respondents as to sex, it shows that most of the microenterprise's owners of Candijay, Bohol were females with a frequency of ninety-nine (99) or 84.62% of the total population. Meanwhile, the remaining eighteen (18) or 15.38% were males. A study (Hampel-Milagrosa, 2014) found out that 61 percent of MSEs are run and owned by women in several African countries and the Dominican Republic. Women's enterprises are usually informal micro-sized entities that operate in marginal sectors and local markets. According to the International Labor Organization (2004), 80 percent or more of homeworkers in developing countries are women.

Business Profile of the Microenterprises in terms of Years of Operation

Table III Business Profile of the Microenterprises

No. of Years	F	%	Rank
3	19	16.24	2
4	16	13.68	3
5	12	10.26	4
6	7	5.98	6
7	10	8.55	5
8	4	3.42	8
9	6	5.13	7
10	43	36.75	1
Total	117	100%	
Mean	6.91		
Standard deviation	2.81		

The table shows that forty-three (43) or 36.75% of the microenterprise owners said that their businesses have been operating for ten (10) years already. Only four (4) or 3.42% have been operating for eight (8) years. The result indicates that a greater percentage of those micro-enterprises have already been well-established with reference to their years of operation. Wright (Wright & Stigliani, 2013) identified that experienced entrepreneurs have an excess of trust and optimism.

Respondents' Perceived Growth Barriers of Microenterprises

Table IV Financial Barriers To The Growth Of Microenterprises

Items	WM	Interpretation	Rank
1. External financing is not available.	2.56	Moderately evident	3

2. Operations cannot maintain a profit.	2.78	Moderately evident	2
3. Loan interests are not reasonable.	3.50	Highly evident	1
Composite Mean	2.95	Moderately evident	

Financial Barriers are financial obstacles in the growth of microenterprises. According to the findings, item 3 "Loan interests are not reasonable" obtained the highest weighted mean of 3.50 or highly evident. Further, items 2 and 1 gained the second and third rank with the weighted means of 2.78 and 2.56, respectively, with some interpretation of moderately evident. This suggests that microenterprise owners are aware that unreasonable loan interests, unavailable external financing, and unsustainability of profit can potentially hinder the growth of their business. Financial barriers that affect small and medium enterprises or SMEs include high collateral, high bank charges, and fees, lack of outside equity and venture capital and high cost of credit (Bartlett & Bukvič, 2001). The composite mean of 2.95 indicates that financial barriers are moderately evident in hindering the growth of microenterprises. Failure to obtain external financing, inability to obtain internal funding, insufficient capital, start-up costs, expensive raw materials, high wholesales price are common financial problems (Naidu & Chand, 2011).

Table V Organizational Barriers to the Growth of Microenterprises

Items	WM	Interpretation	Rank
Employee education is not sufficient	2.56	Moderately evident	5
Difficulty in the recruitment of employees	3.01	Moderately evident	4
Position in the business is hard to fill	3.08	Moderately evident	3
Lack of training of employees	3.71	Highly evident	1
Management cannot work as a team	1.40	Not evident	6
Employees cannot handle the expected growth	1.39	Not evident	7
Insufficient workforce	3.45	Highly evident	2
Composite Mean	2.66	Moderately evident	

Organizational barriers were hindrances in the growth of microenterprises from the organization or within the microenterprises. Results show that item 4 "Lack of training of employees" has the highest rank with a weighted mean of 3.71 (Highly evident). On the other hand, item 6 "Employees cannot handle expected growth" has the lowest rank with a weighted mean of 1.39 (Not evident). The results suggest that respondents consider employees' lack of training as a leading barrier in the facet of organizational barriers that can affect the growth of microenterprise. According to Louis et al (2011), the business might not possess sufficiently qualified personnel with the necessary skills and knowledge to handle growth and create strategies to make growth successful. Thus, employees must be well-trained. On the other hand, the respondents perceived that the ability of employees to adapt to changes or improvement is not a problem. The composite mean of 2.66 signifies that organizational barriers are perceived by the respondents as to highly hinder the growth of the microenterprise.

Table VI External Barriers to the Growth of Microenterprises

Items	WM	Interpretation	Rank
Threat competition	4.15	Highly evident	1
Bargaining power of buyers	3.54	Highly evident	2
Bargaining power of suppliers	2.04	Slightly evident	3
The threat of substitute product or service	1.19	Not evident	7.5
Low demand for product or service	1.79	Slightly evident	5

Competition of market share	1.19	Not evident	7.5
Difficulty in acquiring raw materials	1.97	Slightly evident	4
Government interference	1.23	Not evident	6
Composite Mean	2.14	Slightly evident	

External Barriers are something in the environment of microenterprises in Candijay, Bohol that prevents its growth which is shown in the table. Based on the data, it was revealed that item 1 "Threat competition" and item 2 "Bargaining power of buyers" obtained the first and second rank, respectively, with the weighted means of 4.15 (Highly evident) and 3.54 (Highly evident), respectively. On the flip side, item 4 "Threat of substitute product or service" and item 6 "Competition of market share" ranked the lowest with a weighted mean of 1.19 (Not evident). The foregoing results imply that potential external barriers which can hinder the growth of microenterprises include threat competition and bargaining power of buyers while the threat of substitute product or service and competition or market share do not affect business growth. The five competitive forces as enumerated by Porter (Hisrich & Drnovsek, 2002) that could affect the growth of a small business include the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, the threat of substitute products or services, and rivalry among existing competitors. On the overall, the composite mean of 2.14 (Slightly evident) connotes external barriers as a weak factor affecting the growth of microenterprise.

Table VII Social Barriers to the Growth of Microenterprises

Items	WM	Interpretation	Rank
Lack of support from business association or societies	3.78	Highly evident	1
Lack of trust to fellow owners in sharing ideas	1.97	Slightly evident	2
Lack of trust to fellow owners in asking help	1.78	Slightly evident	3
Lack of trust in suppliers	1.18	Not evident	4
Composite Mean	2.18	Slightly evident	

Social barriers are the barriers among co-owners, suppliers, or associations that hinder the growth of microenterprises. As demonstrated, item 1 "Lack of support from business association or societies" ranked the highest with a weighted mean of 3.78 (Highly evident) while item 4 "Lack of trust to suppliers" ranked the lowest with a weighted mean of 1.18 (Not evident). It can be inferred that the respondents believe that lack of support from a business association or from the society itself can slow the growth of microenterprises while the lack of trust to suppliers does no serious hindrance to the growth of microenterprise. Recent studies have stated the need for networking, trust, and developing social capital between entrepreneurs as ways of stimulating the development and growth of small enterprises (Bartlett & Bukvič, 2001). As to composite mean of 2.18 (Slightly evident), it can be interpreted that social barriers are considered as not to hinder the growth of microenterprise.

Table VIII Legal or Institutional Barriers to Microenterprises Growth

Items	WM	Interpretation	Rank
1. Law, rules, regulations are complex to fulfill	3.49	Highly evident	4
2. The taxing system is not fair	3.20	Moderately evident	7
3. Lack of government of policy focused on creating opportunities and motivating micro enterprises	3.43	Highly evident	5.5
4. Lack of government policy that assists in developing innovation potential and capabilities	3.74	Highly evident	2
5. Lack of government policy that assists in developing	3.87	Highly evident	1

financing sources and capabilities			
6. Lack of government simplification of a regulatory system	3.19	Moderately evident	8
7. Lack of government involvement in natural resources management	1.39	Not evident	10
8. Lack of government involvement in the management of human resources	1.43	Not evident	9
9. Lack of government involvement in creating more opportunities for doing business	3.43	Highly evident	5.5
10. Lack of government involvement in promoting entrepreneurial skills among citizens.	3.50	Highly evident	3
Composite Mean	3.06	Moderately evident	

Another barrier to growth of microenterprises is the legal or institutional barrier. Data shows that most of the respondents feel that there was a "lack of government policy that assists in developing financing sources and capabilities" obtained the highest weighted mean of 3.87 (Highly evident). On the other hand, item 7 "Lack of government involvement in natural resources management" has the lowest weighted mean of 1.39 (Not evident). The result shows that the "lack of government policy that assists microenterprise in developing financing sources and capabilities" is perceived to be the top legal or institutional barrier that can potentially hinder the growth of microenterprise. This was supported by the assertion of Smorfitt (2008) that weak legislation that does not support the growth and development of small firms may also hinder a successful growth strategy of a small business. However, the lack of government involvement in managing human resources does not slow the growth of microenterprise. The composite mean of 3.06 (Moderately evident) indicates that legal or institutional barriers are seen to strongly hinder microenterprise growth.

This is consonance with the study of Aidoo et al (2016) that a firm's economic performance and growth can be influenced and hindered by the institutional framework within which enterprises operated and interact with customers and government. And also, (Amentie, Negash, & Kumera, 2016) said that the ability of a business to overcome the impediments to growth by securing support such as financial assistance, advice, and training determines the success or failure of the business.

TABLE IX Summary Result on Barriers to Growth of Microenterprises

Domain	Composite Mean	Descriptive Value	Rank
Financial barriers	2.95	Moderately Evident	2
Organizational barriers	2.16	Moderately Evident	3
External barriers	2.14	Less Evident	5
Social barriers	2.18	Less Evident	4
Legal or Institutional barriers	3.06	Moderately Evident	1
Overall composite mean	2.60	Moderately Evident	

It is found out that legal or institutional barriers got the highest rank with the composite mean of 3.06 and a descriptive value of "Moderately evident". Financial barriers got a composite mean of 2.95 which was ranked as second and organizational barriers in the third with a composite mean of 2.16, all with the descriptive value of "moderately evident". While social barriers and external barriers were ranked as fourth and fifth with the composite mean of 2.18 and 2.14, respectively, described as "less evident". The overall weighted mean reached to 2.60, with a descriptive value of "moderately evident". The results imply that the respondents believed that Legal or Institutional barriers are the number one constraint in microenterprise growth. Aidoo et al. (2016) cited that institutional framework affects the firm's economic performance and growth. Next to it are financial and

organizational barriers. The ability of a business to overcome the impediments to growth by securing support such as financial assistance, advice, and training determines the success or failure of the company (Amentie, Negash, & Kumera, 2016).

CONCLUSION

After a thorough and deep analysis, the researcher concluded that the topmost potential barriers that hinder the growth of microenterprises are related to legal or institutional, financial and organizational barriers. More so, the perception of the microenterprise owners on the possible barriers of the growth of their business is independent of the number of years of business operation, marital status, sex, and highest educational attainment.

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