

“Factors Affecting Business Performance of Small and Medium Size Enterprise (SMEs) In Poblacion, Monkayo”

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DOI: <https://doi.org/10.47772/IJRISS.2026.1015EC00041>

Received: 10 April 2026; Accepted: 15 April 2026; Published: 02 May 2026

ABSTRACT

This study aimed to examine the relationship between factors affecting performance and business performance among small and medium enterprises (SMEs) in Poblacion, Monkayo. Specifically, it sought to determine the level of performance measurement, assess the extent of factors affecting performance, and analyze the relationship and effect between these variables. A quantitative research design was employed using a survey questionnaire administered to 300 SME respondents.

Descriptive statistics revealed that performance measurement had a mean of 3.7967, indicating a relatively high level of business performance, while factors affecting performance obtained a higher mean of 4.0177, suggesting strong agreement on their importance. Pearson correlation analysis showed a moderate positive relationship between the variables ($r = 0.476$, $p < 0.01$), indicating that improvements in influencing factors are associated with increased business performance. Furthermore, regression analysis confirmed that factors affecting performance significantly predict performance measurement ($\beta = 0.476$, $t = 9.340$, $p < 0.05$), with the model also found to be statistically significant ($F = 87.238$, $p < 0.05$).

The findings imply that key business factors such as financial management, marketing strategies, and operational practices play a crucial role in enhancing SME performance. It is therefore recommended that SME owners strengthen these areas and engage in continuous improvement practices. Additionally, government agencies and institutions should provide support through training programs and financial assistance. Future researchers are encouraged to explore other variables that may further explain business performance.

Keywords: Business performance, Small and medium size enterprises, MonCAST, Monkayo Davao de Oro

INTRODUCTION

Background of the study

Small and Medium Enterprises (SMEs) play a pivotal role in the economic development of many countries by contributing to employment generation, innovation, income distribution, and overall economic dynamism. Globally, SMEs are acknowledged as major contributors to economic growth and resilience, especially in developing and transitional economies where they act as engines of job creation and local development. In recent years, research has increasingly focused on identifying the determinants that shape SME performance due to the heightened complexities of business environments, technological change, and competitive pressures. Recent literature underscores that SME performance is influenced by a multitude of internal and external factors, encompassing financial resources, managerial competencies, technological adoption, market orientation, and environmental conditions (Yahaya & Nadarajah 2023).

Moreover, empirical studies emphasize the ways in which entrepreneurial orientation, organizational innovation, and leadership behaviors affect firm performance outcomes, particularly in dynamic and crisis-induced business environments. Gungor, Bamforth, and Dalrymple (2025) found that these attributes substantially impact both customer satisfaction and financial performance of SMEs, demonstrating the relevance of both internal strategic drivers and adaptive management practices.

Despite this growing body of global research, localized studies that explore how these determinants operate within specific communities remain limited. Context-specific factors such as access to local markets, community support networks, regulatory environments, and socio-economic conditions can uniquely influence business performance. Therefore, investigating the factors affecting the business performance of SMEs in Poblacion, Monkayo will not only help expand the empirical evidence base in a localized Philippine setting but also offer actionable insights for policymakers, entrepreneurs, and community stakeholders seeking to strengthen SME resilience and growth.

Research Objectives

1. What is the level of business performance of SMEs in Poblacion, Monkayo?
2. What is the extent of the factors affecting SME business performance in terms of:
 - 2.1 Financial factors
 - 2.2 Management factors
 - 2.3 Marketing factors
 - 2.4 Entrepreneurial factors
 - 2.5 Technological factors
 - 2.6 Public-legal factors
 - 2.7 Infrastructural factors
 - 2.8 Working premises factors
3. Is there a significant relationship between the factors and business performance of SMEs in Poblacion, Monkayo?

Purpose of the study

The purpose of this study is to identify and analyze the key factors that affect the business performance of Small and Medium Enterprises (SMEs) in Poblacion, Monkayo. Specifically, the study aims to examine how internal factors such as managerial competence, financial management, human resources, innovation, and marketing practices, as well as external factors including market conditions, competition, and regulatory environment, influence the operational and financial performance of SMEs.

Furthermore, the study seeks to provide empirical evidence that may serve as a basis for developing strategies and policy interventions to enhance SME performance, sustainability, and competitiveness in the local context. The findings of this research are intended to benefit SME owners and managers, local government units, academic institutions, and future researchers by offering insights that can support informed decision-making and promote local economic development.

Significance of the study

This study is significant because it identifies the key factors affecting the business performance of SMEs in Poblacion, Monkayo. The findings will help SME owners and managers improve business strategies, operational efficiency, and decision-making processes. The results will also assist local government units and policymakers in developing targeted programs, capacity-building initiatives, and policies to support SME growth and sustainability. Additionally, the study contributes to academic research by providing localized empirical evidence that enriches existing literature on SME performance in a rural or municipal context. It also serves as a valuable reference for future researchers who may conduct similar studies or comparative analyses in other

areas. Ultimately, the study supports local economic development by promoting stronger, more competitive, and more resilient SMEs that can generate employment and stimulate community growth.

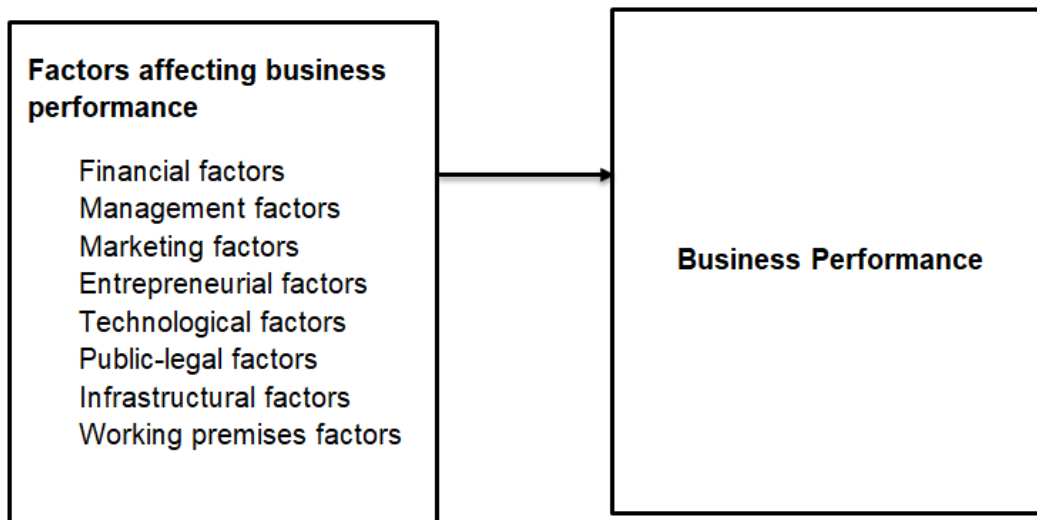
Theoretical framework

This study is anchored on the Resource-based view (RBV) Theory, articulated by Jay Barney (1991). The Resource-based view (RBV) is a strategic management framework that posits that a firm’s unique resources and capabilities are the primary drivers of its competitive advantage and performance. The Resource-Based View (RBV) is a strategic framework in business that focuses on analyzing a company’s internal resources to identify competitive advantages.

Conceptual framework

Independent variables

Dependent variables



METHODOLOGY

Research Design

This study employs quantitative research design using a descriptive-correlational approach to measure the relationship between factors affecting business performance and business performance of Small and Medium Size Enterprise (SMEs) in Poblacion, Monkayo.

Sampling Technique

The study employed a probability sampling method, specifically simple random sampling, to ensure that each small and medium enterprise (SME) in Poblacion, Monkayo had an equal chance of being selected. This technique minimizes bias and enhances the representativeness of the sample.

Given the total population of 1,870 SMEs, the sample size of 300 respondents was determined using an appropriate sample size formula (e.g., Slovin’s formula with a margin of error). The selected respondents were randomly chosen from the list of registered SMEs in the area to ensure fairness and accuracy in data collection.

Research Instrument

The study will utilize structured survey questionnaires. The scale consists of items categorized into factors affecting business performance and business performance, and will use Likert scale 5 means strongly agree, 4 is agree, 3 is moderate, 2 is disagree and 1 is strongly disagree. The instrument has been previously validated and will be adapted as necessary for the study context.

Statistical Treatment

Data will be analyzed using descriptive and inferential statistics:

Mean – The mean value is commonly used as a measure of central tendency (Farrokh Habibzadeh, 2025).

Standard deviation – reflects the dispersion of the data in both the sample and population (Farrokh Habibzadeh, 2025).

Pearson r correlation analysis – This method is appropriate for comparing variables of the continuous variable type, specifically interval/ratio data (Wisniewski & Brannan, 2024).

Multiple linear regression – is a statistical technique for estimating the relationship among variables which have reason and result relation (Uyanık & Güler, 2013).

RESULTS AND DISCUSSION

This chapter presents, analyzes, and interprets the data gathered to address the objectives of the study on the factors affecting business performance of small and medium enterprises (SMEs) in Poblacion, Monkayo. It begins with the presentation of descriptive statistics to determine the level of performance measurement and factors affecting performance, followed by correlation analysis to examine the relationship between the variables, and regression analysis to assess the extent to which these factors influence business performance. The results are discussed comprehensively to provide meaningful insights and serve as the basis for the conclusions of the study.

Table 1. Descriptive Statistics of the variables

Descriptive Statistics			
	Mean	Std. Deviation	N
Performance_Measurement	3.7967	.52176	300
Factors_Affecting_Performance	4.0177	.43247	300

Table 1 presents the descriptive statistics of the key variables in the study, namely performance measurement and factors affecting performance, with a total of 300 respondents.

The results show that performance measurement obtained a mean score of 3.7967 with a standard deviation of 0.52176. This indicates that, on average, respondents perceive the level of business performance among SMEs to be relatively high. The mean value, which is close to 4, suggests that most respondents agree that their businesses are performing well in terms of the indicators used in the study. The standard deviation being less than 1 implies that the responses are closely clustered around the mean, indicating consistency in the perceptions of the respondents.

On the other hand, factors affecting performance recorded a higher mean score of 4.0177 with a standard deviation of 0.43247. This suggests that respondents generally have a strong agreement regarding the importance and influence of these factors on business performance. The higher mean compared to performance measurement indicates that respondents perceive influencing factors (such as capital, marketing, or management practices) as highly significant contributors to business outcomes. Similarly, the lower standard deviation reflects a high level of agreement among respondents, showing minimal variation in their responses.

Comparatively, the mean of factors affecting performance is slightly higher than that of performance measurement, which implies that while SMEs are performing well, there is an even stronger recognition of the

role that various factors play in shaping that performance. This may indicate that improvements in these factors could further enhance business performance.

Table 2. Correlations between variables

Correlations			
		Performance_Measurement	Factors_Affecting_Performance
Performance_Measurement	Pearson Correlation	1	.476**
	Sig. (2-tailed)		.000
	N	300	300
Factors_Affecting_Performance	Pearson Correlation	.476**	1
	Sig. (2-tailed)	.000	
	N	300	300

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

Table 2 presents the results of the Pearson Product-Moment Correlation between performance measurement and factors affecting performance among SMEs, based on 300 respondents.

The findings reveal that there is a moderate positive relationship between the two variables, with a Pearson correlation coefficient of $r = 0.476$. This indicates that as the factors affecting performance improve, the level of business performance also tends to increase. In practical terms, this suggests that enhancements in key business factors—such as capital, marketing strategies, or operational practices—are associated with better performance outcomes among SMEs.

Moreover, the correlation is statistically significant, as indicated by the p-value of 0.000, which is less than the 0.01 level of significance. This means that the relationship observed is not due to chance, and there is strong evidence to support the existence of a meaningful association between the variables.

The strength of the correlation ($r = 0.476$) falls within the range of a moderate relationship, implying that while the factors affecting performance play an important role, they do not fully explain business performance. This suggests that there may be other variables not included in the study that also contribute to performance outcomes.

Additionally, the double asterisk (**) in the table indicates that the correlation is significant at the 0.01 level (2-tailed), further confirming the robustness of the result.

Table 3. Predictors of Performance Measurement

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.432	1	18.432	87.238	.000 ^b
	Residual	62.964	298	.211		
	Total	81.397	299			

a. Dependent Variable: Performance_Measurement

b. Predictors: (Constant), Factors_Affecting_Performance

The ANOVA table presents the overall significance of the regression model examining the effect of factors affecting performance on performance measurement among SMEs.

The results show that the regression model is statistically significant, with an F-value of 87.238 and a corresponding p-value of 0.000, which is less than the 0.05 level of significance. This indicates that the model provides a better fit to the data compared to a model with no predictors. In other words, factors affecting performance significantly predict performance measurement.

The regression sum of squares (SS = 18.432) represents the variation in performance measurement explained by the independent variable. Meanwhile, the residual sum of squares (SS = 62.964) reflects the unexplained variation. The total variation in the dependent variable is 81.397, indicating that a portion of the variability in business performance is accounted for by the factors included in the model.

With 1 degree of freedom for the regression and 298 degrees of freedom for the residual, the model uses a sufficiently large sample size (N = 300), enhancing the reliability of the results.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.490	.248		5.999	.000
	Factors_Affecting_Performance	.574	.061	.476	9.340	.000

a. Dependent Variable: Performance_Measurement

The coefficients table presents the effect of factors affecting performance on performance measurement using multiple linear regression analysis.

The results show that the constant (intercept) has a value of B = 1.490 with a p-value of 0.000, indicating that when the independent variable is held constant, the baseline level of performance measurement is 1.490. This value is statistically significant, suggesting that the model has a meaningful starting point.

For the independent variable, factors affecting performance, the unstandardized coefficient is B = 0.574 with a standard error of 0.061. This means that for every one-unit increase in factors affecting performance, the performance measurement increases by 0.574 units, holding other factors constant.

The standardized coefficient (Beta = 0.476) indicates a moderate positive effect of the independent variable on the dependent variable. This suggests that factors affecting performance have a meaningful influence on business performance among SMEs.

Furthermore, the t-value of 9.340 with a p-value of 0.000 (less than 0.05) indicates that the effect of factors affecting performance is statistically significant. Therefore, the null hypothesis stating that factors affecting performance have no significant effect on performance measurement is rejected.

RECOMMENDATION

This chapter presents the recommendations derived from the findings of the study on the factors affecting business performance of small and medium enterprises (SMEs) in Poblacion, Monkayo. These recommendations are based on the results of the descriptive, correlation, and regression analyses, which revealed the significant influence of various factors on business performance. The chapter aims to provide practical guidance for SME owners, policymakers, and future researchers in improving business practices and enhancing overall SME performance.

Recommendations

Based on the findings of the study, it is recommended that small and medium enterprise (SME) owners focus on strengthening the key factors that significantly influence business performance, particularly in areas such as financial management, marketing strategies, and operational efficiency.

The results revealed that these factors have a statistically significant and moderate positive effect on performance measurement, indicating that improvements in these areas can lead to better business outcomes. Although the level of performance among SMEs is already relatively high, there remains an opportunity for continuous improvement by regularly evaluating business operations and adapting to market demands.

Furthermore, SME owners are encouraged to participate in training programs and capacity-building initiatives to enhance their skills and knowledge in managing their businesses effectively. In addition, local government units and relevant institutions should provide support through financial assistance, business development programs, and policy initiatives to further strengthen SME performance.

Since the relationship between the variables is only moderate, future researchers are also encouraged to explore other factors that may influence business performance, such as technology adoption, customer behavior, and competitive environment, to provide a more comprehensive understanding of the determinants of SME success.

Survey Questionnaires

A. Factors Affecting The Performance Of Smes

	Entrepreneurial Factors	5	4	3	2	1
1	There is lack of motivation and self-drive of business owner.					
2	There is lack of initiative to take calculated business risk.					
3	There is lack of persistence and courage to take responsibility for one's failure.					
4	There is lack of initiative to assess one's strengths and weakness.					
5	There is lack of entrepreneurship training.					
6	There is lack of information to exploit business opportunities/ lack of benchmarking.					
	Technological Factors	5	4	3	2	1
7	There is lack of appropriate machinery and equipment.					
8	There is lack of skills to handle new technology.					
9	There is lack of capacity to deploy and use information technology.					

10	We are unable to select proper technology.					
	Politic-Legal Factors	5	4	3	2	1
11	The tax imposed on my business is not reasonable.					
12	There is bureaucracy in company registration and licensing.					
13	There is lack of government support.					
14	There exist political intervention and corruption.					
15	The implementation of government proclamation, regulations and directives related to my business operation is not uniform.					
	Infrastructural factors	5	4	3	2	1
16	There are frequent electric power interruptions.					
17	The water supply system is insufficient and with frequent interruption.					
18	There is lack of business development services (supporting institutions).					
19	The transportation service is insufficient and not quick.					
20	There is lack of appropriate dry waste and sewerage system.					
	Working Premises Factors	5	4	3	2	1
21	We have no adequate own working premises.					
22	The current/existing working place is not convenient for running business.					
23	The rent of working premises we are requested to pay is too high.					
24	We are unable to access land for business expansion.					

B. Perceived Business Performance

	Performance Measurement	5	4	3	2	1
1	The growth of our business profit isn't satisfactory.					
2	Our capital isn't growing well as we expect.					
3	We aren't satisfied with the growth in sales of my products and/or services.					
4	We aren't satisfied in our operational efficiency.					
5	The company employee loyalty and turnover is disappointing					

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