

The Role of Micro-businesses in the Socio-Economic Development of Ilocos Norte, Philippines

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Key words

Micro-business, Socio-Economic Development, Micro-Business profile, social responsibilities

Abstract:

This study aimed to determine the role of micro-businesses in the socio-economic development in the Province of Ilocos Norte. It indicates the possible effects of the micro-business profile such as organizational characteristics and management practices, and micro-entrepreneurial profile such as personal characteristics, competencies and social responsibilities on the output indicators. In the same manner, there is a possibility that the output indicator: products and services, qualitative assessment of products and services, and quantitative assessment of products and services, have an impact in the socio-economic development in the province of Ilocos Norte.

Introduction

In the midst of economic slowdown and recession, many people are deprived of enjoying basic living needs. The creeping truth of an economic disease is further contaminated by hateful political ignominies and social unrest; hence the small and average economic forces are pinned down to poverty and scarcity of economic needs. It is however with this eminence that many individuals look for alternative sources of income and become entrepreneurs.

The Philippines enacted R.A. No. 9178, a law that promotes the establishment of Barangay Micro Business enterprises by providing incentives and benefits in promoting the formation of micro enterprises, which serve as seedbeds of Filipino entrepreneurial talents, by giving them fiscal and non-fiscal incentives that will help them survive and grow into viable enterprises.

The importance of entrepreneurship in the development of the country had been undeniably significant. Private sector development and entrepreneurship development are essential ingredients for achieving the Millennium Development Goal of reducing poverty. While sound macroeconomic policies and providing market access are crucial, emerging markets need to nurture and develop entrepreneurs able to take advantage of opportunities created by globalization. The great bulk of local enterprises are micro-businesses, making up to 91.9%, with small and medium enterprises comprising only 7.8% of the total entrepreneurs. Large enterprises account for merely 0.33% of total enterprises. Micro-businesses effectively serve as the seedbed of entrepreneurial talents as such, the government promulgated Republic Act No. 9178 also known as Barangay Micro Business

Enterprises (BMBE's) Act of 2002. This is an act to promote the establishment of barangay microbusiness enterprises by providing assistance to the entrepreneur. Incentives and benefits for the micro-businesses include exemption from local taxes and fees, exemption from the coverage of minimum wage, financial and credit loan assistance, seminars in technology transfer, marketing and management, and trade and investment promotions.

Small enterprise offers the best application for sustainable limitations. These enterprises play an important role in less developed countries accounting for roughly a 5th to a quarter of industrial output a much layer scale of the total employment. In addition, the employment potential of small enterprises helps address the problem of unequal distribution of income and wealth.

It is in this context that there is a need to conduct a study on the socio-economic contribution of micro-businesses in the province of Ilocos Norte. This study elicits information as to the role and contribution of the micro-businesses in the socio-economic development of Ilocos Norte.

Statement of the Problem

This research work determined the role of micro-businesses in the socio-economic development and progress of the province of Ilocos Norte.

Specifically, it attempted to answer the following questions:

1. What is the profile of micro-entrepreneurs in terms of:
 - a. Age,
 - b. Sex,
 - c. Educational Attainment,
 - d. Membership to organizations, and
 - e. Seminars/Trainings Attended?
1. What is the organizational profile of the micro-businesses in terms of:
 - a. Years of existence,
 - b. Type of Business,
 - c. Form of ownership,
 - d. Number of workers,
 - e. Start-up capital
 - f. Present Capital
 - g. Average annual sales,
 - h. Source of capital, and
 - i. Average annual production?
1. What is the level of competencies of micro-entrepreneurs in terms of:
 - f. Opportunity-seeking and initiative,
 - g. Risk taking,
 - h. Demand for efficiency and Quality,
 - i. Persistence,
 - j. Commitment to work,
 - k. Information seeking,
 - l. Goal setting,
 - m. Systematic planning and monitoring,
 - n. Persuasion and networking, and
 - o. Independence and self-confidence?

1. What is the level of entrepreneurial social responsibility of micro-entrepreneurs towards its:
 - a. Employees, and
 - b. Customers?
1. What are the management practices of micro-businesses in terms of:
 - a. Marketing,
 - b. Human Resources, and
 - c. Finance?
1. What is the level of quality of the product/services of the microbusiness as perceived by the respondents in terms of:
 - 6.1 Adequacy,
 - 6.2 Appropriateness,
 - 6.3 Timeliness,
 - 6.4 Progressiveness,
 - 6.5 Equity,
 - 6.6 Continuity, and
 - 6.7 Demeanor?
7. What is the level of Quantitative assessment of microbusiness in terms of:
 - a. Number of daily complaints, and
 - b. Number of errors and wastage.
8. What is the impact of micro-businesses in the province of Ilocos Norte along the following indicators:
 - a. Economic development such as:
 - (i) Taxes generated;
 - (ii) Employment generated;
 - (iii) Improved living conditions and quality of life, and
 - (iv) Increase in income.
 - b. Social development such as:
 - (i) Participation in city/town activities, and
 - (ii) Scholarship grants?
9. Are the personal profile, competencies/skills, and entrepreneurial social responsibility, organizational profile, and management practices significantly related to the qualitative and quantitative assessment of products and services of micro-businesses?
10. Are the impact variables influenced by the output variables?

Scope and delimitation

This study focused on the role of micro-businesses in the socio-economic development of the Province of Ilocos Norte. It looked into the micro-entrepreneur profile such as personal characteristics, micro-entrepreneurs' competencies and social responsibility and on the organizational profile and management practices. The respondents consisted of three groups; a sample of micro-entrepreneurs coming from the different municipalities namely Badoc, Burgos, Bacarra, Pasuquin, Bangui, Pinili, Piddig, Solsona, Currimao, Batac, Banna, Marcos, Paoay, Sarrat, Pagudpod, Dingras, San Nicolas and Laoag City, sample of employees, and customers of these micro-entrepreneurs.

Questionnaires were constructed by the researcher to determine the level of entrepreneurial social responsibilities, management practices, level of business success and role of the micro-businesses in the development of the province of Ilocos Norte. For the level of skills and competencies, questionnaire will be adapted to the PECs Questionnaire of McClelland and Mcber.

Population and Sample. The population of the study consisted of 3 groups namely: micro-business owners, employees and their respective customers.

In the determination of sample size, the formula given was used:

$$n = \frac{N}{1+Ne^2}$$

where: n = sample size

N = population size

e = marginal error at .04

Table 1.1 is presented for the distribution of population and sample.

Table 1. Distribution of Population and Computed Sample of Respondents

	Owners/Entrepreneurs		Employees		Customers
	N	n	N	n	n*
Manufacturing	159	58	318	66	76
Service	1014	174	2028	155	223
Retailer	1810	339	2500	262	340
Wholesaler	23	19	46	40	84
TOTAL	3006	590	4892	523	723

*purposive sampling

*purposive sampling

Findings

Based from the problem presented, data were gathered and the researcher came out of the following findings:

I. Personal Profile of the Respondents.

- a. Age. Most (206 or 34.92%) of the microbusiness owners are 27-37 years old.
- b. Gender. Out of the 590 microbusiness owner respondents, majority (56.95%) are female.
- c. Marital Status. Majority (416 or 70.51%) of the microbusiness owners are married.
- d. Educational Attainment. A little over fifty percent (50.51%) of the microbusiness owners are college degree holders.
- e. Seminars Attended. Majority of the respondents (528 or 89.49%) did not attend any seminars.
- f. Membership to Professional Organizations. Majority of the respondents (494 or 83.73%) have no affiliation to professional organizations.

II. Business Profile of Microbusinesses in Ilocos Norte

- a) Years of Existence. Out of 590 microbusinesses, a great number (48.31%) have been in existence for less than 5 years.

- b) Type of Business. Majority of the microbusiness owner-respondents (339 or 57.46%) are engaged in retailing.
- c) Business Form. Majority (523 or 88.64%) of the microbusinesses are registered as sole proprietorship.
- d) Number of Workers. Majority of the respondents have 1 to 2 employees (393 or 66.61%).
- e) Start-Up Capital. Majority (86.95%) of the micro-businesses have started with a capitalization of less than P 500,000.00.
- f) Present Capital. Out of 590 microbusinesses, majority (466 or 78.98%) have at present capitalization of less than 500,000.00.
- g) Annual Sales. Majority (64.92%) have an annual sales of below P150, 000.00.
- h) Source of Capital. Majority (87.29%) of the capital of microbusinesses in Ilocos Norte comes from the own savings of the entrepreneurs.
- i) Annual Production. There are an average of 100,000 pieces of breads and pastries for annual production of bakeries.

III. Level of Personal Entrepreneurial Competencies of Microbusiness Owners

On the level of personal entrepreneurial competencies of microbusiness owners, the overall assessment by the two groups of respondents (owners and employees) is 3.86 with a descriptive rating of "high competence. All the items on the criterion (opportunity seeking and initiative, risk taking, demand for efficiency and quality, persistence, commitment to work contract, information seeking, goal setting, systematic planning and monitoring, persuasion and networking, and independence and self-confidence) have mean ratings of 3.80, 3.86, 4.02, 4.01, 4.05, 3.83, 3.89, 3.90, 3.64, and 3.65 respectively with descriptive rating of "high competence".

IV. Level of Social Responsibility towards Employees and Customers

The overall assessment along social responsibility towards employees was "Highly Responsible" ($x=3.43$) as evidenced by the owners rating ($x=3.35$) and employees rating ($x=3.50$).

Likewise, the overall assessment in terms of social responsibility towards customers is "Highly Responsible" ($x=4.07$) as evidenced by the owners rating ($x=4.01$) and customers rating ($x=4.14$).

V. Level of Management Practices of Microbusinesses

The overall assessment in marketing practices is "Highly Practiced" ($x=3.60$) which is evidenced by the mean ratings of the owners ($x=3.57$) and the employees ($x=3.63$).

Moreover, the overall assessment on the level of human resources practices is "Highly Practiced" ($x=3.91$), as evidenced by the mean ratings of the owners ($x=3.83$) and the employees ($x=3.99$).

Lastly, the overall assessment on financial practices is "Highly Practiced" ($x=3.53$) as evidenced by the mean ratings of owners ($x=3.51$) and employees ($x=3.56$).

VI. Level of Quality of Products and Services of Microbusinesses

The overall qualitative assessment on the products and services is "Very Good" ($x=4.00$) as evidenced by the mean ratings of owners ($x=3.95$), employees ($x=4.01$) and customers ($x=4.02$).

All the different criteria (adequacy of products, appropriateness, timeliness, progressiveness, equity, continuity and demeanor) have an overall assessment of "Very Good" with mean ratings of 4.12, 4.16, 3.91, 3.89, 3.85, 3.90 and 4.14 respectively.

VII. Level of Quantitative Assessment of the Products and Services of Microbusinesses

Number and Type of Complaints. Majority (81.53%) of the microbusinesses receive no complaints (81.53%) with a descriptive rating of excellent.

Number of Product/Supply Wastage. Out of the 590 microbusiness-respondents, most (220 or 37.29%) of the respondents did not incur any product/supply wastage or errors.

VIII. Impact of Microbusiness in the Socio-Economic Development in the Province of Ilocos Norte

The overall assessment of microbusiness owners on their role in the economic development in the province of Ilocos Norte is "High Impact" which is evidenced by their mean rating of 3.90. As for the amount of taxes paid by the microbusinesses, majority (77.46%). of them pay below P10,000.00 taxes.

All the different aspects of economic development such as employment, quality of life, taxes and other fees and increase in income have overall assessment of "High Impact" with mean ratings of 3.73, 3.63, 4.11 and 4.12 respectively.

Moreover, the overall impact of microbusinesses in the social welfare development is "Low Impact" as evidenced by the mean rating of 2.46.

On the aspect of participation in city/town activities, the overall assessment was "Moderately Impact" with mean rating of 2.92. On the other hand, on the aspect of sponsorship for scholarship grants, the overall assessment is "Low Impact" with mean rating of 1.99.

IX. Regression of personal profile, organizational profile, entrepreneurial competencies, social responsibility and management practices to the qualitative and quantitative assessments of products and services.

- A. On the influence of personal profile, business profile, entrepreneurial competencies, social responsibility and management practices to the qualitative assessment of products and services.**
- a. Personal Profile. Results of Multiple Regression Analysis of personal profile on the qualitative assessment show that personal profile are not significantly related to the qualitative assessment of products and services (Multiple R = .069, F-prob. >.05)
 - b. Business Profile. Results of Multiple regression Analysis of business profile factors on the qualitative assessment show that organizational profile of microbusinesses are significantly related to the qualitative assessment of products and services when taken as a whole (Multiple R = .198).
 - c. Entrepreneurial Competencies. Results of multiple linear regression show that entrepreneurial competencies are highly significant to the qualitative assessment of products and services as shown by Multiple R of .513. The best predictors are persistence (Beta=.175) and information seeking (Beta=.150). Moreover, risk taking (Beta=.153) was found out to exhibit a degree of significant influence in the qualitative assessment of products and services.

- d. Social Responsibility. Results of Multiple Regression Analysis indicated that social responsibility is highly significant to the qualitative assessment of products and services as evidenced by a Multiple R of .425. When taken singly, both the social responsibility towards employees (Beta = .343) and towards customers (Beta = .137) are the predictors.
 - e. Management Practices. Results of Multiple Regression Analysis indicated that management practices are highly significant to the qualitative assessment of products and services as evidenced by the Multiple R = .462. The best predictors were marketing practices (Beta = .265) and human resources practices (Beta = .196)
- B. On the influence of personal profile, business profile, entrepreneurial competencies, social responsibility and management practices to the quantitative assessment of products and services.**
- a. Personal Profile. There is no significant relationship between the personal profile and the quantitative assessment along the number of daily complaints (Multiple R = .123) and the number of product/supply wastage and errors (Multiple R=.089)
 - b. Organizational Profile. There is no significant relationship between the organizational profile and the quantitative assessment of products and services along with number of daily complaints (Multiple R = .161). On the other hand, regression results show that organizational profile factors are significantly related to quantitative assessment along number of product wastage (Multiple R = .190).
 - c. Micro-entrepreneur's Competencies. There is no significant relationship between micro-entrepreneurs' competencies and the level of quantitative assessment along number of daily complaints as indicated by a Multiple R of .112. Likewise, there was also no significant relationship between micro-entrepreneur's competencies and the level of quantitative assessment along number of product/supply wastage and errors (Multiple R = .150).
 - d. Social Responsibility. There is no significant relationship between social responsibility and the quantitative assessment along number of daily complaints (Multiple R = .058). Moreover, it was found out that there is also no significant influence of social responsibility to the quantitative assessment along number of product/supply wastage and errors (Multiple R = .075).
 - e. Management Practices. When taken as a whole, there is a significant influence of management practices to the quantitative assessment along number of daily complaints (Multiple R = .115). On the other hand, there is no significant influence of management practices to the quantitative assessment along number of product wastage and errors.

XI. Regression of qualitative and quantitative assessments of products and services to the Impact of Microbusiness in the Socio-Economic Development in the Province of Ilocos Norte.

- 1. Results of the Multiple Regression Analysis showed that output variables such as the qualitative and quantitative assessments of products and services significantly influence in the economic development in the province (Multiple R of .427).

2. Results of Multiple Regression Analysis indicated that output variables such as the qualitative and quantitative assessments of products and services are significantly influence social development in the province.

Conclusions

In the light of the findings of this study, the following conclusions were drawn:

1. The microbusiness owners in Ilocos Norte are relatively young, dominated by college graduate and married women. Most of them have not attended seminars and trainings and are not members of professional organizations.
2. Majority of the microbusinesses in Ilocos Norte have existed for less than 5 years.
3. Most of the microbusinesses in Ilocos Norte are engaged in retailing and most of them are sole proprietor.
4. Majority of the microbusinesses in Ilocos Norte started with less than P 500,000.00 as initial capital from their savings and hired 1-2 employees who are usually family members.
5. Microbusinesses in Ilocos Norte have average annual sales of below P 150,000.00.
6. Microbusiness owners are highly competent to handle and manage their respective businesses.
7. Microbusiness owners are highly responsible towards their employees and customers.
8. Micro-entrepreneurs of Ilocos Norte observe high level of management practice.
9. Customers are highly satisfied with the quality and quantity of products and services provided by microbusiness owners of Ilocos Norte.
10. Microbusinesses play a significant role in the economic and social development in the province of Ilocos Norte.
11. The personal profile have no bearing on the qualitative and quantitative assessment of products and services.
12. Qualitative assessment is significantly influenced by organizational profile factors.
13. Entrepreneurial competencies have no influence on the qualitative and quantitative assessment of products and services.
14. Social responsibility of entrepreneurs can influence qualitative assessment of products and services.
15. The quality and quantity of products and services is significantly dependent on management practices.
16. The qualitative and quantitative assessments significantly influence the role of microbusinesses in the economic and social development of Ilocos Norte.

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