

# **The Challenges Encountered by Micro, Small and Medium Enterprises (MSMEs) In Nabua Camarines Sur**

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## **Abstract**

This study aimed to determine the challenges encountered by the MSMEs in Nabua Camarines Sur. Specifically it sought answer to the following questions: (1) What are the business characteristics of Micro, Small and Medium Enterprise (MSMEs) in Nabua, Camarines Sur along: (a) Kind of Business Ownership (b) Nature of Business Industry © Length of operation (d) Number of employees (e) Initial capital. (2) What are the operational strategies adopted by Micro, Small and Medium Enterprise (MSMEs) in terms of: (a) Product (b) Marketing © Competition. (3) Is there a significant relationship between the business characteristics and operational strategies of MSMEs? (4) What are the challenges encountered by the MSMEs along: (a) Product (b) Marketing © Competition (5) What measures can be designed based on the findings of the study?

This study employed the descriptive survey approach, interviews, questionnaire and observation. The responses were categorized and tabulated

systematically according to a variety of statistical tools including percentage, weighted mean, rating scale and chi-square.

The research produced the following findings: (1) The characteristics of the MSMEs in Nabua Camarines Sur. (1.1) Majority of the kind of business ownership in Nabua Camarines Sur is sole ownership 31.2 percent, corporation 27.3 percent and cooperative 23.4 percent. (1.2) The nature of business industry is most classified into merchandising 18.2 percent, farm supply 15.6 percent, and construction supply 14.3 percent. (1.3) The top three Nabua MSMEs Length of Business Operation is 9 years to 10 years 57.1 percent, 10 years and above 14.3 percent and 5 years to 6 years 11.7 percent. (1.4) Number of employees: 6 to 10 employees 37.7 percent, 21 to 25 employees 20.8 percent and 11 to 15 employees 19.5 percent. (1.5) The capital investment: ₱ 50,000 - and above 40.2 percent, ₱ 31,000 - ₱ 40,000 31.2 percent and ₱ 41,000 - ₱ 50,000 20.8 percent;

(2)The Business Operational Strategy of MSMEs along (2.1) Product Strategy; Purchase the materials needed in business operation at the local market, it has 2.7 WM, MI. Purchase the materials needed online with 1.1 WM, LeI. Purchase the needed materials in Manila area has 3.5 WM, MI. The owners of MSMEs produce the products based on consumer's demand, it has 1.7 WM, LeI, the make to stock product strategy has 2.6 WM, MoI. The level of production has 2.6 WM, MoI. the wholesale/bulk purchasing strategy has 2.6 WM, MoI.

(2.2) Marketing Strategy; Retail 4.2 WM, wholesale 3.5 WM, by order and buy and sell with 2.6 and 2.7 WM respectively. Competitive pricing 3.8 WM. The business operates and selling the products locally

within Nabua Camarines Sur with 4.1 WM. Owners prefer to use the social media in promotion it has 4.7 WM. (2.3) Competition Strategy; Durable and trending has 4.7 and 5.0 WM. Uniqueness 4.0 WM. Affordability and limited edition has 3.2 and 2.6 WM. Discount promo has 3.6 WM. Promotional sales with 2.1 WM.

(3) There is a significant relationship between the business characteristics and the kind of business ownership most to the marketing with 56.53 computed value, the name of business industry has a significant relationship with operational strategy most to its marketing with computed value of 60.96, the length of business operation has a significant relationship with business characteristics most to its competition with computed value of 60.56 and the capital investment has a significant relationship to the business characteristics most to its marketing, it has a computed value of 27.19. The number of employees has no significant relationship with the business characteristics, it has a computed value of 18.95.

(4) The Challenges Encountered by The Owner of MSMEs in Nabua Camarines Sur: (4.1) Product challenges; Rank 1 is the bargaining power of supplier, it has 5.0 WM. Rank 2 is the increasing prices of raw materials with 4.4 WM. Rank 3 is the availability of substitutes items, it has a 3.8 WM. Rank 4 is the quality of materials with 3.6 WM. Rank 5 is the inventory losses of materials with 3.6 WM. Rank 6 is the availability of raw materials, it has 3.3 WM. Rank 7 is the durability of materials, it has a WM of 3.2.

(4.2) Marketing challenges; Rank 1 is keeping up with trends and technology, it has a 4.0 WM. Rank 2 is lack of resources with 3.9 WM. Rank 3 is Increasing visibility and generating quality leads it has 3.9 WM. Rank 4 is the consistent execution of marketing activities, it has 3.4 WM. Rank 5 is who to trust when outsourcing marketing activities with 3.2 WM. Rank 6 is producing and delivering the product with 2.8 WM. Rank 7 is choosing the right media platform in marketing the product, it has a WM of 2.1. (4.3) Competition challenges; Rank 1 is the cost focus strategy with 3.0 WM. Rank 2 is differentiation leadership strategy with 2.9 WM. Rank 3 is the cost-leadership strategy with 2.4 WM. Rank 4 is shrinking the available customer base with 1.7 WM. Rank 5 is forcing to lower the prices to stay in competitive, WM is 1.5. Rank 6 is business decreases an individual companies market share with 1.5 WM. Rank 7 is decreasing profit margins for each sale or service with WM of 1.4. (5) An Operational Guidebook can be developed based on the findings of the study.

The following conclusions were arrived at in light of the aforementioned findings: (1) The majority of MSMEs business in Nabua Camarines Sur is owned by sole-proprietor, with 6-10 number of employees, engaged in merchandising type of business, operating 9-10 years with capitalization of ₱ 50,000 and above. This is true and evident in the Municipality of Nabua, they have limited financial sources and opportunity for business expansion.

(2) The existing business operational strategy of MSMEs in Nabua are being applied evidently, however the owners need to educate with the current trends and strategies to support the current activity and achieve competitive advantage. (3) There is significant relationship between the business characteristics and the kind of business ownership, name of business industry, length of business operation and the capital investment, however, there is no significant relationship between the business characteristics and the number of employees. (4) The challenges encountered by the MSMEs owner along with its product, marketing, and competition has been a critical issues that the few of the owner prefer to retire from the business when the competition became tight. (5) A Guide-book in Operations Strategy for Micro, Small and Medium Enterprise was made to support the MSMEs owner in pursuing to beat the competition in the market.

The recommendations were made in light of the aforementioned findings and conclusions: (1) The LGU and non-government organizations in Municipality of Nabua should come-up with a program that will provide financial assistance to the MSMEs owners to help them achieve a sustainable and competitive advantage in its daily operation and expansion. (2) The existing business operational strategy of MSMEs in Nabua particularly in terms of product, marketing, and competition are being applied evidently, however the application needs to enhance and upgrade through training, seminar and workshop.

(3) The operational strategy should be aligned to the distinctive qualities of MSMEs to maximize their competitive advantage, meet consumer needs and optimize resource allocation. (4) The challenges encountered by the MSMEs owners along with its product, marketing, and competition shall be given during the training-workshop made understandable to the level of the MSMEs owner.

(5) The Operation Strategy Guidebook for MSMEs should be used during the conduct of training-workshop in order for them to be guided.

**Keywords:** Challenges encountered, Micro, Small and Medium Enterprise (MSMEs),

## 1. Introduction

Business refers to the organized actions conducted to manufacture and sell goods or services for profit. It covers many tasks and activities and operates in a dynamic environment driven by internal and external forces. Successful organizations prioritize addressing customer needs, generating innovation, and producing value while contributing to economic and social growth.

Businesses in the Philippines can take many different forms, such as sole proprietorship, partnerships and corporations each with its own legal and operational framework. They operate in a variety of economic sectors, including manufacturing, retail, services, finance, technology, and agriculture, among others<sup>1</sup>. The Micro, Small and Medium Enterprises (MSMEs) play a significant role in driving economic growth, fostering innovation, and creating employment opportunities in both developed and developing economies. They form the backbone of many economies, contributing to GDP, export earnings, and technological advancements. MSMEs exhibit unique characteristics that differentiate them from larger enterprises, including their size, limited resources, and entrepreneurial nature<sup>2</sup>.

RA 9501: An act to promote entrepreneurship by strengthening development and assistance programs to Micro, Small and Medium scale enterprises, amending for the purpose Republic Act no. 6977, as amended, otherwise known as the “Magna Carta For Sma;; Enterprises” and for other purposes<sup>3</sup>.

Magna Carta for Micro, Small, and Medium Enterprises; MSMEs are defined as any industry, agribusiness, or services-related business activity or enterprise, whether a sole proprietorship, cooperative, partnership, or corporation, whose total assets, including those resulting from loans but excluding the land on which the particular business entity's office, plant, and equipment are situated, must have value falling under the following categories: micro : not more than P3,000,000, small : P3,000,001 - P 15,000,000 and medium : P15,000,001 - P100,000,000.

The lack of databases, insufficient R&D spending, underdeveloped sales channels, and low levels of financial inclusion provide obstacles for MSMEs. Taking into account the difficulties brought on by heightened competition, the capacity to adjust to rapidly shifting consumer demand, technological change, knowledge, innovation, and capacity constraints related to these, which are some of the causes behind the slow growth of MSMEs, is also important.

Many people in the neighborhood were employed with the goal of avoiding travel to distant locations to personally care for their families and children. They aid in eradicating poverty and promoting economic growth in remote and rural areas.

The researcher selected Nabua Camarines Sur as the focused area to conduct the study. A promising municipality that has a greater opportunity to attain economic development if MSMEs will be given much attention in terms of its operations. It has a total of 696 micro enterprise business, 92 small, 7 medium and 4 large registered enterprise business as stated on Nabua Municipality Registrar. It was said that the more established an enterprise, the more employment was required.

As a result, Nabua is now accommodating a large number of job seekers and offering work, greatly enhancing the area's economic standing. The researcher made the decision to look into the operations strategy of micro, small and medium-sized businesses in Nabua Camarines Sur in order to evaluate and provide further inputs to enhance the existing company activity as a guide for the plan of the researcher to put-up a business.

Believing that completing the study research would give the researcher a chance to look at the operation strategies and other requirements for establishing small to large businesses, allowing them to later explore being an entrepreneur which will guide the researcher a full idea about the MSMEs operations aspects where the researcher plan to engage in the same level of business in the future. It will also be an excellent opportunity to investigate theories that may be turned into a guidebook that is a highly useful instrument for disseminating and teaching business operating strategies. With this end in view, this research undertaking was considered.

### **Theoretical Framework**

Theoretical frameworks are essential tools in research as they provide a foundation for understanding, designing, and interpreting studies, it is said to be the structure that can hold or support a theory of a research study.

The study is anchored to the Five forces Theory by Michael E. Porter, (1979)<sup>4</sup> it is a framework used to analyze and understand the competitive forces within an industry. It helps identify the key factors that influence the attractiveness and profitability of an industry, and assists in formulating effective business strategies. The theory provides a structured approach for assessing the competitive environment and evaluating the potential risks and opportunities for a company.

Michael E. Porter is an influential economist, researcher, author, and professor at Harvard Business School. He is widely regarded as one of the leading authorities on competitive strategy and the formulation of business strategy. Porter has made significant contributions to the field of business and has had a profound impact on the way companies approach competition and strategic decision-making.

### **THEORETICAL PARADIGM**

Porter's theories and frameworks have been widely applied in various industries and have influenced the way companies understand competition, competitive advantage, and strategic positioning. His work emphasizes the importance of understanding industry structure, competitive dynamics, and the unique resources and capabilities that drive a company's success.

The five forces identified by Porter are as follows: Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitutes, and Intensity of Competitive Rivalry.

By considering these five forces, MSMEs owners in Nabua can better understand the competitive dynamics of their industry and develop strategies to navigate challenges and exploit opportunities. The goal is to identify areas where the company can gain a competitive advantage and mitigate the impact of the forces that threaten profitability.

The researcher also identifies the Ansoff Matrix Theory<sup>5</sup> as an additional support for the aforementioned theoretical framework that aids in identifying the difficulties faced by MSMEs and revised existing performance of the organization.

The Ansoff Matrix, also known as the Product/Market Expansion Grid, is a strategic framework developed by Harry Igor Ansoff, commonly known as Igor Ansoff. He was a Russian-American applied mathematician, business manager, and pioneer in the field of strategic management. The matrix helps businesses explore strategic growth opportunities by analyzing their product and market options.

The Ansoff Matrix consists of four growth strategies, which are determined by the combination of new and existing products and markets: These are the Market Penetration, Market Development, Product Development, and Diversification.

The Ansoff Matrix serves as a tool for strategic planning, helping MSMEs in Nabua to identify and evaluate growth options based on their risk tolerance, available resources, and market conditions. By assessing the matrix's four growth strategies and the Porter's Five Forces Strategies, companies can make informed decisions about where to focus their efforts and allocate resources to achieve sustainable growth and competitive advantage.

Inspired by the theories adopted by the present study, the EEI Approach which stands for Entrepreneurs, External and Internal factors affecting the creation and expansion of MSMEs was developed by the researcher after being influenced by the Five Forces theory and the Ansoff Matrix theory.

The Entrepreneurs play a crucial role in the growth of micro, small and medium-sized enterprises (MSMEs). Their skills, characteristics, and actions significantly impact the trajectory and success of an MSME. The external factors are crucial in determining their success and sustainability. These factors can influence various aspects of an MSME's operations, including its growth potential, competitiveness, profitability, and overall business environment.

Understanding and effectively managing these external factors is crucial for MSMEs to navigate challenges, seize opportunities, and achieve long-term success. Additionally, governments, policymakers, and support institutions play a crucial role in creating an enabling environment that facilitates the growth and sustainability of MSMEs.

The Internal factors are the characteristics and elements within an MSME that significantly influence its operations, performance, and overall success. These factors are under the control or influence of the MSMEs management and include various aspects of the organization. By understanding and optimizing the internal factors, MSMEs can enhance their competitiveness, adapt to changing circumstances, and achieve their business objectives.

The MSMEs depicted in figure 1 being the focused study of the research is on top of the paradigm with two arrow down pointing on the anchored theories; Five Forces and Ansoff Matrix with an arrow interconnecting since the Five Forces emphasize the importance of understanding industry structure, competitive dynamics and the unique resources and capabilities that drive business success. After understanding its importance the theory was better supported by the Ansoff Matrix Four Growth Strategies which identify and evaluate the growth options based on the MSMEs risk tolerance, available resources and market conditions.



The EEI Approach being the researcher's theory was connected to the Five Forces and Ansoff Matrix Theory since it was the basis in the formulation of the researcher's theory.

The researcher believes that developing a contingency plan based on the five forces theory, studying the application of the Ansoff theory, and employing the EEI approach can help MSMEs succeed and have a competitive advantage.

### **Conceptual Framework**

This study is predicated on the idea that when micro, small and medium-sized businesses implement operational strategies, five forces will exist and excellence in operations will be attained. In order to support the five forces that served as the study's foundation, the researcher additionally used the Ansoff Matrix Theory and the researcher theory EEI Approach concept.

The conceptual framework depicted in figure 2 could be used to better understand this research investigation.

**Inputs.** The profile of micro, small and medium-sized businesses in Nabua Camarines Sur are included in the study's input.

Additionally, the nature of ownership, nature of business industry, length of operation, number of employees and initial capital. The product, its marketing approach, the market's competitiveness, and the issues experienced were all taken into consideration when establishing the MSMEs operating plan.

### **CONCEPTUAL PARADIGM**

**Process.** The researcher was guided in the preparation of a guide book as supplementary inputs on Operations Strategy for MSMEs by the data analysis of the business profile and operations strategy used by the MSMEs business in Nabua, Camarines Sur.

**Output.** A guide book for MSMEs was created with the intention of improving the application of the operations strategy of MSMEs after the study determined the current operations strategy utilized by MSMEs and its impact on the growth and advancement of the firm.

To enhance the process used by the MSMEs, a backup plan and feedback procedures should be used.

A **feedback loop** was included to track and monitor the utilization of the learning package. The researcher will take into account any feedback obtained throughout the monitoring while improving the learning package.

### **Statement of the Problem**

The study sought to determine the micro, small and medium enterprise (MSMEs) in Nabua, Camarines Sur:

1. ) What are the business characteristics of Micro, Small and Medium Enterprise (MSMEs) in Nabua, Camarines Sur along:

- a. Kind of Business Ownership
- b. Nature of Business Industry
- c. Length of operation
- d. Number of employees
- e. Initial capital

2. ) What are the operational strategies adopted by Micro, Small and Medium Enterprise (MSMEs) in terms of:

- a. Product
- b. Marketing
- c. Competition

3. ) Is there a significant relationship between the business characteristics and operational strategies of MSMEs?

4. ) What are the challenges encountered by the MSMEs along:

- a. Product
- b. Marketing
- c. Competition

5. ) What measures can be designed based on the findings of the study?

### **Assumptions**

The following assumptions will serve as the foundation for this study:

1. The business characteristics of the respondents varies along with the nature of ownership, nature of business industry, length of operation, number of employees and initial capital invested.
2. There is operations strategy of MSMEs owners in Nabua and it varies along with its product, marketing and competition.
3. There is significant relationship between the business characteristics and the kind of business ownership, name of business industry, length of business operation and the capital investment, however, there is no significant relationship between the business characteristics and the number of employees in MSMEs in Nabua Camarines Sur.
4. There is challenges encountered by the MSMEs owners in Nabua along with its product, marketing and competition.
5. A guidebook was made to use as designed measurement for MSMEs operations strategy.

**Null Hypothesis.** There is no significant relationship between the business profile and operational strategies of MSMEs.

### **Scope and Delimitation**

The goal of the study is to identify the challenges, operational strategy and business features of MSMEs in Nabua Camarines Sur. The study was conducted in Nabua Camarines Sur for the calendar year 2022-2023. The micro, small and medium-sized businesses in Nabua, Camarines Sur that were registered with the municipal treasurer's office, with at least three years of business operation, had a minimum of one employee, and had a capitalization of no more than P100,000,000.00 were the subject of the study.

### **Significance of the Study**

The research is considered significant for several reasons. The results of this study will give insight on and provide learning about the following:

**Entrepreneurs.** They will learn more about the strategic operations of micro, small and medium-sized businesses, including how these operations are affected by external circumstances, how much capital is invested, and how profits are generated.

**Respondents.** They will benefit from the research by being knowledgeable about the newest marketing strategies, how to compete with new market entrants or companies, new market trends, and how to continue to make money through innovations and other commercial endeavors. This will provide

as a springboard for them to determine which aspect of their business is most affected by the global crisis, allowing them to make an informed choice about how to respond to the challenges they are currently and inevitably going to face.

**Institutions / Organizations.** The study will give them the opportunity to advance their services to the public even without any government interference in their business operations, but of course, everything must still be done legally. This may also enable them to understand the current needs of the public and provide services in line with those needs, which could greatly aid in the development of programs for the company's CSR (Corporate Social Responsibility).

**Academe.** This study will offer new information that will enhance existing knowledge and aid in the learning process, particularly for business courses.

**Researcher.** The study will help the researcher understand how the operations strategy affects MSMEs, and it will provide an opportunity to offer advice on how businesses can deal with the current circumstances. This will also aid the researcher in building communication skills both personally and professionally as this study calls for extensive and in-depth interviews with business owners. Additionally, as this would entail a variety of situations and numbers, it will enhance the researchers' analytical abilities.

**Future researchers.** The study will offer insightful data that will broaden the researchers' understanding of actual events involving current businesses and how they affect both the community and their owners. In terms of elements influencing business success, the study will also provide information that is pertinent and connected to studies that will be undertaken in the future by the next generation. As a result, this will be an excellent tool for finishing future studies.

## Definition of Terms

The following words are defined both philosophically and practically to aid in understanding the study:

**Assets.** An asset is any resource that a business owns or controls. It's anything that could be sold for money. A property owned by a person or company, regarded as having value and available to meet debts, commitments, or legacies<sup>6</sup>.

The researcher used assets to emphasize the materials, machines, physical store whether big or small owned by the MSMEs, it is anything that has value to the business and is considered as applicable to the payment of owner's debts.

**Business.** It refers to an enterprising entity or organization that carries out professional activities. They can be commercial, industrial, or others<sup>7</sup>.

In this study the researcher used business as the focused area of the study. It encompasses the study of operations strategy in micro, small and medium enterprises and the challenges they encountered.

**Barriers to entry.** This is a high cost or other type of barrier that prevents a business start-up from entering a market and competing with other businesses. Barriers to entry can include government regulations, the need for licenses, and having to compete with a large corporation as a small business<sup>8</sup>.

In this study, it refers to one of the Five Forces Theory referring to the factors to consider in starting-up a business, a preparation to the requirements is needed such as processing of permits etc., especially to the MSMEs which having less capital than those large companies.

**Business Industry.** This is a group of companies that are related based on their primary business activities<sup>9</sup>. In this study it refers to the nature of the business like bakery, lending company, merchandising, tailoring, farm supply etc.



**Competition.** This is a market where there are multiple businesses offering competing products and services. These companies seek to attract customers and to gain larger market shares by improving price, quality and service<sup>10</sup>.

In this study it emphasizes the important of the operations strategy in competition. It helps the owners of MSMEs to improve the business, innovate, upgrade and create promotional activities to attract customers.

**Competitive Rivalry.** Competitive rivalry is a measure of the extent of competition among existing firms<sup>11</sup>. In this study it refers to the intense rivalry among the MSMEs owners that can limit their profits, including price cutting, increased advertising expenditures, or spending on service/product improvements and innovation.

**Competitors.** This are other businesses who can offer the same or similar goods and services to your customers<sup>12</sup>. In this study it refers to the nature of business that caters the same products/services to the customer, this also the same reason why the owners of MSMEs continuously improving the business to have a competitive advantage.

**Demand.** This is the quantity of a good that consumers are willing and able to purchase at various prices during a given time<sup>13</sup>. In this study it refers to the costumer desire to buy the product or services, the higher the demand of the customer the higher the production and it increases the sales of the owners.

**Initial capital.** This is what entrepreneurs use to pay for any or all of the required expenses involved in creating a new business. This includes paying for the initial hires, obtaining office space, permits, licenses, inventory, research and market testing, product manufacturing, marketing, or any other operational expense<sup>14</sup>.

In this study, it refers to any amount that a person have, it can be personal or loans and uses it to start a business. This is the money used to purchase needed materials, paying manpower, rentals and promotions.

**Input Cost.** Input cost is the set of costs incurred to create a product or service. All other costs incurred by a business are related to general and administrative activities<sup>15</sup>. This refers to the labor, materials, building and equipment which relevant in the business operation.

**Innovation.** This is a concept, refers to the process that an individual or organization undertakes to conceptualize brand new products, processes, and ideas, or to approach existing products, processes, and ideas in new ways<sup>16</sup>.

In this study, it refers to the improvement of the product, services or strategies a business operates.

**Length of operation.** This is the duration of business operation. It represents the stability of a business<sup>17</sup>. In this study it refers to the business characteristics of the MSMEs with regards to how many years does the business operate since the day they started the business until the present.

**Martketing.** This is the activity or business of promoting and selling products or services, including market research and advertising<sup>18</sup>.

**Marketing Strategy.** A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of their products or services. A marketing strategy contains the company's value proposition, key brand messaging, data on target customer demographics, and other high-level elements<sup>19</sup>.

In this study, it refers to the operations strategy which focuses on promoting the products or services, understanding the needs of customers sustainable competitive advantage.

**MSME.** The Philippines employs two criteria in operationally defining MSMEs, namely employment and asset size. The PSA classifies an enterprise as a micro if it has less than 10 employees, small if it has 10-99 employees, medium with 100-199 employees, and large if it has 200 or more employees<sup>20</sup>.

In this study it refers to the micro, small and medium enterprise (MSMEs) which is the core of the study that offers huge opportunity to the economy such as employment and economic growth most to rural areas.

**Nature of Ownership.** This refers to legal control over a business. It gives the owner the legal right to make certain business decisions<sup>21</sup>. In this study it refers to the decisions of the owners whether to manage the business solely, by partnership, by corporation etc.

**Product.** This is any item or service you sell to serve a customer's need or want<sup>22</sup>.

**Purchasing Power of Consumer.** Purchasing power is the value of a currency expressed in terms of the number of goods or services that one unit of money can buy. It can weaken over time due to inflation. That's because rising prices effectively decrease the number of goods or services you can buy. Purchasing power is also known as a currency's buying power<sup>23</sup>.

In this study it refers to the Five Forces Theory that emphasize the importance of consumers as they cannot control by any business owners. They have the power to choose whether to buy the product or not.

## **Review of Related Literature**

This section provides an overview of the pertinent research supporting small- and medium-sized business operations strategies and comparable studies that shown the viability of the aforementioned strategy. In addition, the conceptual framework elements discussed in earlier conversations were covered in this assessment.

Akman, G., & Boyacı, A. İ., (2022)<sup>24</sup>. sole proprietorship, examining advantages related to the ease of start-up, being the boss, and the ability not to share profits, as well as disadvantages related to individual liability for all debts, the danger of mixing personal and business finances, and difficulty in obtaining loans.

According to (Naoyuki Yoshino, Farhad Taghizadeh-Hesary April 2016)<sup>25</sup>, In the highly competitive environment that MSMEs operate in, selecting the right merchandise for the right customer is important and, in most instances, its ability to survive or perish. Among the challenges MSMEs face include their capability to respond to swiftly changing market demand, technological advancements, and capacity limitations connected to knowledge, innovation, and creativity.

Due to issues associated to their small scale, the potential of many MSMEs is frequently not completely realized. i. lack of resources (finance, technology, skilled labor, market access, and market information); ii. lack of economies of scale and scope; iii. higher transaction costs relative to large enterprises; iv. lack of networks that can contribute to a lack of information, know-how, and experience of domestic and international markets; v. increased market competition and concentration from large multinational enterprises caused by globalization and economic integration; vi. inability to compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization); vii. subject to "churning" and instability; and viii. lack of entrepreneurial zeal, capacity, and know-how

Abd Jalil M. I., Yahya S., & Pitchay A. A. (2019)<sup>26</sup>. The most pressing obstacle MSMEs face is the lack of finance. Therefore, it is extremely important to find new and suitable finance sources in order to support MSMEs either in their establishment or growth phases. Economic crises become progressively

more global and the frequency as well as the length by which crises occur, is increasing. Crises affect all businesses differently and operating in times of crises is arduous which makes outcomes unpredictable.

Roy, Pranith Kumar; Shaw, Krishnendu (2021)<sup>27</sup>. financial institutions encounter challenges in the assessment of MSMEs' creditworthiness for the provision of financing. One of the biggest difficulties small business owners have is hiring the right people. Managers/owners carefully monitor the number of employees a business employs at any given moment since manpower affects everything from production to client relationships.

Hajarabi Hajar, & Achibane Mustapha. (2021)<sup>28</sup>. MSMEs occupy an important place in the Moroccan economic fabric. This importance comes from the fact that they are endowed with several assets that make them an undeniable tool for the economic and social development of the country. However, this type of company encounters several problems at all levels. In fact, the financing problem is seen as the major challenge facing MSMEs.

Uchehara, Chris Chigo. (2017)<sup>29</sup>. MSMEs are constrained by inadequate funding and poor management. It was recommended that government should develop a lasting solution to the state of infrastructural deterioration especially electricity along with policies that can assist to cushion the bureaucracy in obtaining loans from micro finance banks.

Erić, Dejan and Stefanović, Saša and Bradić-Martinović, Aleksandra (2018)<sup>30</sup>. It has become obvious that limited approach to quality long-term sources of financing is the most worrying one. As micro, small and medium enterprises, according to many parameters, represent the most dominant sector in terms of its share in GDP, total production, employment and creation of values.

Mouhallab, Sofia and Jianguo, Wei (2016)<sup>31</sup>. The MSME Development Project in Morocco sought to increase MSMEs' access to capital by supporting the provision of credit guarantees. It did this by enabling the provider of partial credit guarantees in the Moroccan financial system to scale up its current MSME guarantee products and introduce a new guarantee product aimed at very small businesses (VSEs). As a result of the significantly increased lending backed by guarantees, PFIs were able to continue learning about MSME clients and improving their processes to better serve them. Many first-time borrowers were able to establish credit histories because of guarantees, which made it simpler for them to get loans in the future.

Strobbe, Francesco; Alibhai, Salman. 2015<sup>32</sup>. The Women Entrepreneurship Development Project (WEDP) in Ethiopia is an IDA initiative that offers financing and business training to Ethiopian women entrepreneurs that are focused on growth. WEDP was established as an up scaling operation for microfinance institutions (MFIs) after it was determined that women entrepreneurs in Ethiopia had a persistent "missing middle" financing gap. It assisted Ethiopia's top MFIs in introducing larger, individual-liability loan products specifically suited to women entrepreneurs. In addition to WEDP funding, women entrepreneurs receive cutting-edge, mindset-focused business training.

(Cucinelli et al. 2018)<sup>33</sup>. Because MSMEs lack standard financial information, commercial agencies' ratings may not be appropriate for this context.

(Zhang 2016)<sup>34</sup>. It is a relatively complex task with numerous risks that may result in the failure of a loan recipient in meeting payment obligations when due. Financial institutions often choose the safer side and deny credit to risky firms to avoid pecuniary loss.

(Batsaikhan 2015)<sup>35</sup>. The interest of financial institutions is estimating and mitigating the risks generated by various sources, particularly credit. Compared to large corporations, MSMEs are

significantly disadvantaged regarding financial data organization and planning, which makes it challenging to predict defaults when sufficient financial data are unavailable.

Pranith Kumar; Shaw, Krishnendu (2021)<sup>36</sup>. Financial institutions have trouble determining if MSMEs are creditworthy enough to receive finance. Financial organizations use credit scoring algorithms to locate potential borrowers, set lending terms and collateral needs, and decide loan pricing. When compared to large firms, MSMEs are thought to be less organized when it comes to managing financial data, which raises concerns among financial institutions about the evaluation of credit risk based on insufficient financial data.

In their article, "The Utilization of Accounting Information System in Small and Medium Enterprises in Line with the Food Industry in San Pablo, Laguna,"(2022)<sup>37</sup> John Andrae Brila and Christopher Dennis Catapang states that a computer-based method for tracking bookkeeping activity connected to data innovation assets is an Accounting Information System (AIS). Every firm has its unique daily operations, which prompts the development and application of AIS to assist with information management . They favored using programmed Excel or point of sale as their AIS in their firm.

According to Aldaba, Rafaelita M. (2017)<sup>38</sup>. MSMEs, especially the smaller ones, have been unable to access funds due to their limited track record, limited acceptable collateral, and inadequate financial statements and business plans. The continued reliance of firms on internal sources of financing seem to suggest a gap between the plans of firms to borrow and the actual amount of funding made available by banks. Along with training and capacity-building programs for MSMEs to increase their financial literacy and management skills, it would be vital to shift banks' perspectives and provide innovative approaches to SME lending.

Enterprises are a potential source of energy. Tan (2018)<sup>39</sup> stressed the value of fostering a feeling of spirit and self-actualization, which may be linked to three crucial and interconnected factors: environment, interpersonal interactions, and experience.

Hobbs and Del Rosario (2015)<sup>40</sup> assert that due to the disparities in the overall economic growth of each nation and the current social conditions, there is no agreement on the definition of MSMEs throughout the Asia-Pacific region. Member economies use a variety of indicators, such as the number of employees, invested capital, total assets, sales volume, and production capacity.

Mendoza (2017)<sup>41</sup> presented the following published definitions of MSMEs from the nine countries in his study on the institutionalization of agro-based MSMEs in Batangas Province, the Philippines, of the eight countries, five also use alternative bases for classification, such as asset and capital size in addition to employment size. "To promote, develop, and assist micro, small and medium-scale enterprises through the creation of a micro, small and medium enterprise development (MSMED) council, and the rationalization of government assistance programs and agencies concerned with the development of small and medium enterprises, and for other purposes".

According to Fernandez (2020)<sup>42</sup>, empowerment is a process that involves giving the people more control over making decisions and formulating policies, predicated on a dedication to a more egalitarian society. According to him, the goal of people empowerment is to enable the community's disenfranchised members to actively engage in all areas of decision-making, including social, political, and economic ones. This calls for the creation and consolidation of self-sufficient people's groups, which could support the growth process and strengthen the ability of the majority to address concerns, needs, and problems on their own.

Goreham, (2015)<sup>43</sup>. Residents must first comprehend the patterns that are currently affecting their neighborhood and their long-term effects. Second, you must create a vision for the future. According to the Bible, "without a vision, the people perish." Third, a constituency of people is required; it need not be a majority, but it must be a sizable enough number to generate momentum and inspire others. Fourth, a commitment to action is necessary; while talking is vital, taking action is far more crucial. Finally, there needs to be a plan that directs the action or gives the participants some kind of direction. All five of these factors are significant, but it is crucial that a vision and a strategy are put into practice.

Dawans, Alter, and Miller, (2019)<sup>44</sup>, which focuses on four key areas that serve as performance benchmarks for social enterprises. The section under "Depth of Impact - Stakeholder Engagement" lists the various stakeholders that collaborates with as well as the responsibilities they play in resolving social injustices and making a lasting impact.

Leslie Ann U Gamundoy, Remedios J Bucal and Flordeliza S Em (2020)<sup>45</sup>. the main goal of their study is to identify the obstacles that micro, small and medium-sized businesses in Pulo, City of Cabuyao, Laguna, Philippines, face in their efforts to advance. They all concurred that the numerous restrictions for business loans make it challenging for them to obtain funding. They are also vulnerable to the fierce competition that is developing among unregistered businesses as a result of the products that are being supplied to the market at significantly lower prices. Some MSMEs in this situation have been unable to compete with the micro-businesses. They all disagree on the idea that the emphasis on providing support is intended only for micro-enterprises, just as they disagree on the LGU's claim that there is not enough funding to support it in furthering the promotion of the MSME sector.

In the article written by James Quíñonez Grefalde (2020)<sup>25</sup> He states that with regards to bookkeeping procedures, the majority of MSMEs used an external bookkeeper. MSMEs, particularly sole proprietorship, are prevalent in Tandag City, Surigao del Sur. Regarding bookkeeping procedures, the majority of MSMEs used an external bookkeeper. The outsourced bookkeeper creates monthly financial statements, maintains sales and account records, as well as quarterly and monthly tax reports. The majority of MSME owners lack understanding and formal training in managing bookkeeping, and they frequently have cash flow issues as a result of their lack of financial literacy and poor bookkeeping procedures.

Author Mark Anthony L Pelegri, DBA | Rommel R Mansueto (2021).<sup>48</sup> In the article Digital Marketing Challenges and Opportunities: MSMEs Insights. MSME entrepreneurs along Brgy. Marulas, Valenzuela City. One might say that we essentially live in a cyber world given the advancement of modern technologies in this digital age. Small businesses have used digital marketing, the newest trend in business today, to advertise their brands online, expand into new markets, gain more exposure, and compete with larger corporations. SME owners should receive in-depth education about the business potential of digital marketing through seminars and training offered by their local government or the private sector, as the government could stimulate the economy by offering distinct and separate training for a variety of age group on reputation management and creative writing.

Allen Jake T. Damasén and Excel Philip B. Guidangaaa, Abra Philippines (2022)<sup>48</sup>. The Philippine Department of Trade and Industry strongly advises business owners to re-engineer their operational procedures. The ability of the supplier to reply to consumer inquiries right away will maximize the effectiveness of digital marketing and increase sales and revenue. The report suggests that business owners take use of social media's advantages. Another digital marketing tactic that should be taken into consideration is live video selling of the products on Facebook and YouTube. The product videos should



be stored on a YouTube channel that should also be established. The chatbot should also be taken into account because it allows a prepared inquiry to react on its own.

Adelaide Martins, Manuel Castelo Branco, Pedro Novo Melo and Carolina Machado (2022)<sup>49</sup>. In the article written by the authors they states that MSME companies can help communities overcome issues with sustainable development and accelerate changes toward sustainability. The potential contribution of smaller businesses is reinforced as globalization and technological progress lessen the significance of economies of scale in many activities. However, it is extremely difficult to involve all types of MSMEs in the development of sustainable solutions for thriving in a dynamic, competitive market. There are numerous obstacles to MSMEs managing their sustainability that have been identified in the literature to date. Across all geographies, it has been observed that there is a lack of an institutional environment, a lack of perceived business benefits resulting from sustainability practices, and a lack of framework and guidelines to support SME specifically in terms of planning, monitoring, and evaluating their business sustainability.

Danzen Bondoc Olazo (Management Department, School of Business and Accountancy, Holy Angel University, Angeles City, Philippines) (De La Salle University, Manila, Philippines) (2022)<sup>50</sup> In his journal he states that the majority of SMEs in Pampanga are involved in the fiercely competitive food industry. Continuous improvement is crucial in the selected areas for growth and innovation if you want to survive the saturated market. An analysis using a mixed strategy validated both quantitative and qualitative findings. Consequently, it showed that marketing innovation, which can be used to gain a durable competitive advantage, had a considerable impact on marketing competency. In order to create a sustainable and competitive market, the researcher examined the relationship between marketing innovation and competency.

Maningo Gary (2016)<sup>51</sup>. In his article he states that to assist these businesses and other organizations in becoming creditworthy and bankable, the Credit Surety Fund (CSF) was created. The CSF is a credit guarantee program started by the Bangko Sentral ng Pilipinas that makes it simpler for businesses and cooperatives to get bank loans without having to put up collateral. The CSF collects donations from cooperatives, non-governmental organizations, local governments, and organizations like the Industrial Guarantee and Loan Fund, Land Bank of the Philippines, Development Bank of the Philippines, and others. In this approach, it functions as a public-private partnership that unites the major economic actors and strengthens businesses and cooperatives.

Ale Ebrahim, Nader and Ahmed, Shamsuddin and Taha, Zahari, Virtual (2019)<sup>52</sup> According to them the Small and medium-sized businesses (MSMEs) are the main force behind economic expansion. While MSMEs are essential for creating jobs and promoting commerce, they also confront a number of difficulties, the most important of which is the need to find quick, low-cost solutions to complicated organizational issues with a short time to market. To that purpose, the research and development (R & D) component merits special attention in order to support and ease the operations of MSMEs. A virtual R&D team might be a good choice.

Nicholas, C. and Fruhmann, M. (2015)<sup>53</sup> The purpose and efficacy of MSME support policies in the awarding of public procurement (PP) contracts is examined. Giving PP contracts to SMEs (and micro-enterprises) is thought to foster innovation and entrepreneurship, which helps to create jobs, boost the economy, and support local and regional improvements that benefit society as a whole. This is one of the economic grounds for MSME policies. In developing PP policies, the relationship between MSMEs, innovation, and economic growth has frequently been presumptive. While some research demonstrate that

smaller organizations expand at a faster pace than larger ones, other studies show the opposite, suggesting that many micro and small businesses, particularly informal businesses, are not actively pursuing expansion.

de Dios, Loreli C. (2019)<sup>54</sup> Due to the disproportionately high expenses associated with trade transactions, MSMEs are the principal benefactors of trade facilitation. It has been discovered that compliance with both direct and indirect transaction fees has an uneven impact on MSMEs and has little bearing on the value of the items they trade. Complicated trade procedures require more manpower to complete, which implies a negative impact on MSMEs because they often lack the workforce or have low compliance productivity.

IT clearly plays a key role in streamlining and standardizing administrative and border processes, which ultimately helps trade. IT is a great help for validating customs data, managing cargo inventory, processing goods declarations, electronic notification of release, revenue accounting, and enforcing customs laws.

Wignaraja, Ganeshan (2017)<sup>55</sup> Micro, Small and medium-sized businesses (MSMEs) in the Association of Southeast Asian Nations (ASEAN) are being scrutinized for their participation in production networks as a result of recent efforts to boost intra-regional trade as well as re-balance the economy and promote inclusive growth in Asia. This research examines the involvement of MSMEs in production networks, causes, and policy implications using a data set encompassing 5,900 enterprises in five ASEAN economies at various levels of development.

Jawad Hussain, Kamariah Ismail and Ch. Shoaib Akhtar (2015)<sup>56</sup>. Over the past 20 years, a lot of researchers have developed an interest in the field of entrepreneurship. However, the researchers were unable to reach an agreement on what exactly constitutes entrepreneurship. Researchers from several fields have examined the term "entrepreneurship" from various angles, including the formation of enterprises, wealth, innovation, employment, change, growth, and value (Morris, Kuratko, & Covin, 2008; Williams, Round, & Rodgers, 2010; Kraus et al., 2012). Possibly the most thorough definition has been provided by Morris et al (2008). Entrepreneurship, according to their definition, is the process of producing value by assembling a special collection of assets in order to take advantage of an opportunity.

This study offers a thorough evaluation of the literature on the connection between MSMEs' performance and entrepreneurial orientation. On the characteristics of MSMEs' performance and entrepreneurial orientation, five propositions were established. According to the results of the current study, EO, or entrepreneurial orientation, is favorably related to MSME growth, competitive advantage, and superior performance.

Arocena, Hans Christian, Gonzaga, James Karel L., Lopena, Aaron Yobhel B., & Sibug, Greg Marcel F. (2022)<sup>57</sup>. Stated that Over the past 20 years, social firms have grown significantly in the Philippines. In 2007, there were about 30,000 social companies there. People with basic ideas now find it much simpler to launch social businesses in the Philippines thanks to changes in the local economy.

BAREÑO, REYNALDO A., GIMENA, JUDY ANN F., & CANO, JESSZON B. (2023).<sup>58</sup> Industries including MSMEs employed contractual employees to cater to the high demand of the labor force during peak months.

Miranda, A.T. and Miranda, J.L.F. (2018)<sup>59</sup>. The situation and circumstances surrounding micro, small and medium-sized businesses (MSMEs) as indicators in empowering the rural people of Samar Island, Philippines. The empowerment of rural communities with MSMEs included material, perceptual,

and relational transformations. According to the survey, MSMEs helped rural residents make changes in their life.

Francisco, Jamil Paolo S., Canare, Tristan, Labios, Jean Rebecca (2018)<sup>60</sup>. Micro, Small and medium-sized businesses (MSMEs), including those in the Philippines, are significant in many developing nations. However, compared to their large counterparts, this sector continues to be significantly less productive. Internationalization, which involves linking MSMEs to GVCs, is one aspect that can aid in their productivity growth. For MSMEs, taking part in GVCs is difficult, though, as they must overcome a number of challenges.

Borazon, Elaine Q., Supangco, Vivien T. (2020)<sup>61</sup>. The internal integration of MSMEs strongly influences their business performance or growth and competitiveness. Customer integration directly and indirectly (through internal integration) influences the business performance and competitiveness of MSMEs. Accordingly, the effect of supplier integration on business performance (growth) and competitiveness of companies is fully mediated by internal integration.

Virgel C. Bingha (2015)<sup>62</sup>. Challenges still remain in developing Philippine MSMEs. Specially, human resource management in this sector remains poor and lacking. With the influx of labor from neighboring countries, diversity in the workforce is to be expected. Thus, good people management becomes even more crucial in ensuring the competitive advantage of our MSMEs. Employee value proposition is viewed as an important strategy to improve the quality of human resource management in the country and provide an edge for our MSMEs in the face of the changes ahead.

### **Synthesis of the State of the Art**

The researcher received useful information for the current investigation from the previously examined studies and associated literature. The following solutions were developed to address the issues faced by MSMEs and are taken from the aforementioned studies and literature review.

MSMEs play a significant role in the economy, but they also face a variety of challenges that require a lot of the time and effort of the business owner. Innovation according to several experts and entrepreneurs such as Schumpeter is vital to stay in the market. According to Yoshino and Farhad, the problems with their small scale are related to technological advancement and their ability to react quickly to the changing market demand.

There were several solutions and suggestions to improve and support the growth of MSMEs that the country can adopt such as; In Lebanon, the Innovative Micro, Small and Medium Enterprises (iMSME) program provides grants for start-up companies as well as equity co-investments in innovative. The Innovation and Inclusive Finance Project in India improved MSMEs' access to funding in the early-stage/start-up business, services, and manufacturing sectors—three important yet under served industries.

Through the development of cutting-edge lending strategies that sped up response times and reached more underrepresented MSMEs, the initiative advanced MSME financing. The goal of two lines of credit from the World Bank Group in Jordan, Nigeria and Morocco is to increase MSMEs' access to capital and ultimately help create jobs.

According to John Andrae Brila and Christopher Dennis Catapang, an accounting information system is a computerized mechanism for monitoring bookkeeping activity associated with data innovation assets (AIS).

Accounting Information System (AIS) is definitely necessary for all firms, but micro, small and medium-sized ones are especially dependent on it because they face greater levels of vulnerability in the market (Grande, Estebanes, and Colomina 2011)

### **Research Gap**

There is no question that the continued and sustainable growth and profitability of the micro, small and medium-sized enterprise (MSME) sector depends on access to finance. This is because access to finance plays a key role in fostering innovation, facilitating the establishment of new businesses, and supporting the expansion of existing businesses, all of which contribute to the growth of the national economy.

The researcher discovered that, aside from innovation, MSMEs also have issues in marketing strategy that were not specifically addressed by the studies that were relevant to their experiences. No other barrier-to-entry approach was also highlighted, including how newcomers may start their own firm with fewer costs associated with government fees. The MSMEs may also want to concentrate on human resource management innovation because hiring qualified personnel would greatly benefit the company.

The efficacy of digital marketing should be maximized and sales as well as revenue will improve if the provider can respond to customer questions instantly quoted by Allen Jake T. Damasén and Excel Philip B. Guidangaa, Abra Philippines (2022). One of the business strategies employed today is live video selling of the products on Facebook and YouTube.

According to Ale Ebrahim, Nader, Ahmed, Shamsuddin, and Taha, Zahari, Virtual (2009), While MSMEs are crucial for fostering commerce and the creation of jobs, they also face a number of challenges, the most significant of which is the requirement to find quick, affordable solutions to challenging organizational problems with a limited time to market. In order to assist and facilitate the operations of MSMEs, the research and development (R & D) component needs specific attention. A virtual R&D team could be an excellent option.

## **2. RESEARCH METHODOLOGY**

The methodology used to conduct the study and address the research topic are presented in this chapter. This covers the research process, data sources, study participants, research tools, data collection techniques, and data processing<sup>1</sup>.

### **Research Design**

The descriptive survey method of research was used in the study. The distinction between objectivist and subjectivist studies described by Friedman and Wyatt (1997)<sup>2</sup> was carried over into this review. Van der Meijden and colleagues defined a descriptive study as an objectivist study to measure outcome variables against predefined requirements, and a case study as a subjectivist study of a phenomenon in its natural context using data from multiple sources quantitatively or qualitatively (van der Meijden et al., 2003)<sup>3</sup>.

The purpose of the study was to gather data on the respondents' characteristics. Interviews and questionnaires were used to ask questions of the individuals. To get accurate and reliable data, the questions must be simple to understand.

In order to describe the group characteristics of the data, the descriptive approach was utilized in the data collection, classification, presentation, and collection of the summed values<sup>4</sup>.

### **Sources of the Data**

The primary source of information was the owner/OIC in-charge of the micro, small and medium-sized enterprises (MSMEs) in Nabua Camarines Sur, who responded to questions about their characteristics, operations strategy, and challenges they had to overcome.

Furthermore, unpublished undergraduate thesis, published and unpublished researchers, papers, and the internet were used to obtain secondary sources of data. Other information was gathered from the interviews with MSME owners/OIC in-charge and staff.

#### Respondents of the Study

The MSMEs chosen for the study were distinguished by their type of business (service, merchandising, or manufacturing), and they were suggested to the researchers by the staff of the firm.

Purposive sampling<sup>5</sup> was used to choose the participants. In order to qualify for the interview, interviewers approached potential participants in Nabua Camarines Sur and requested some basic information from them. The respondent required to be the company owner or the officer in charge (OIC) of day-to-day operations to be qualified for the interview.

The survey included recognized micro, small and medium-sized businesses in Nabua Camarines Sur as respondents. The respondents were gathered from Nabua's registered Municipality Treasurer's office.

#### Data Gathering Instruments

Data gathering instrument refers to the tool or method used to collect data from participants or sources. It is a means by which researchers gather information or evidence to answer their research questions or test their hypotheses<sup>6</sup>.

The instruments used in the gathering of data were the questionnaire, followup-Interview and observation. The researcher took into consideration the benefits of employing a questionnaire to conduct data collection, as well as the consistency and standardization of the questions to ensure that the data is controlled and comparable.

Followup interview with the respondents were done by the researcher to clarify the questions and observation in the actual conduct of business operation was made to validate the response.

The completed surveys were arranged for analysis and interpretation in a data presentation using trend analysis. The following procedures were followed in gathering the necessary materials and information.

#### Questionnaire

Sets of questionnaire were used as the primary instrument in gathering the information. The questionnaire consisted of three sections made up the analytical tool. (1) The first section discusses the characteristics of MSMEs (2) The second section relates to the operations strategy employed by MSMEs. (3) The third section focuses on the discussion of the challenges encountered by the MSMEs. Followup interviews and observation were used to supplement the data gathered through the questionnaire.

**Preparation of the questionnaire.** Questionnaire was constructed based on the statement of the problem. The first draft of the questionnaire was presented to the adviser and dean of the graduate school of the University for checking.

**Validation of the questionnaire.** The researcher prepared the questionnaire's final draught and tested it on 10 owners or OIC in-charge of MSMEs in Nabua, Camarines Sur. The results of the dry run revealed that a follow-up interview with MSMEs respondents is necessary for the researcher to ensure that their responses are clear.



Administered and retrieval of the questionnaire. The researcher requested the Municipal Mayor's permission to conduct the study before distributing the questionnaire. In order to clarify any questions that the respondents might find unclear, the researcher personally gave the questionnaire to the respondents. After all respondents had finished answering, the researcher instantly retrieved the entire distributed questionnaire. Data recovery was followed by statistical tool analysis and interpretation.

## Interview

To supplement the information acquired through questionnaires, an unstructured interview was performed with the owners or OIC in charge of the MSMEs. Particularly if the subject was nearly confidential, such as capital investment, management, and other operations strategy or procedures, as well as challenges encountered and how they were overcome, the interview allowed the respondents to clarify queries and decrease inhibitions. The interview method allowed the researcher to penetrate behind initial answers.

## Observation

A visual assessment of the business's real operations was conducted to verify the respondents' statements. The observation was planned for the Wednesday and Saturday market days and questionnaire retrieval days. The activity aided the researcher's observation of the respondent's operational methods on a particular day.

## Statistical Treatment of Data

To process the data collected, the researcher employed a variety of techniques. The responses of the respondents were methodically categorized and tallied in accordance with the perceived necessity of the study.

**Percentage Technique<sup>7</sup>.** It is a display of data that specifies the percentage of observations that exist for each data point or grouping of data points. It is a particularly useful method of expressing the relative frequency of survey responses and other data. Percentage is calculated by taking the frequency in the category divided by the total number of participants and multiplying by 100%.

Thus, the researcher used the percentage to collect the needed data on the problems; (1) Business characteristics of MSMEs as to its (a) nature of ownership, (b) nature of business industry © length in operation (d) number of employee and (e) initial capital.

Formula: 
$$P = \frac{\sum R}{N} \times 100$$

Where:

P

= Percentage

Σ = Summation

R = Number of responses

N = Total number of respondents

The researcher also used weighted mean<sup>8</sup> as statistical treatment, it is a type of mean that is calculated by multiplying the weight (or probability) associated with a particular event or outcome with its associated quantitative outcome and then summing all the products together.

Formula: 
$$XW = \sum$$

N

Where:

XW = Weighted mean

f = frequency of number of responses

W = Weight of category of responses

N = Total number of respondents

The researcher used weighted mean as statistical tool in gathering data on MSMEs operational strategies and challenges encountered used with regards to (a) product (b) marketing and (c ) competition.

A rating scale<sup>9</sup> was used to determine the extent of application of the operations strategy and challenges encountered.

## Business Operation Strategy

Rating	Scale	Interpretation
5	(4.20-5.00) -	Very much Implemented (VMI)
4	(3.40-4.19) -	Much Implemented (ME)
3	(2.60-3.39) -	Moderately Implemented (MoI)
2	(1.80-2.59) -	Less Implemented (LI)
1	(1.00-1.79) -	Least Implemented (LeI)

## Challenges Encountered

Rating	Scale	Interpretation
5	(4.20-5.00) -	Very much a problem (VMP)
4	(3.40-4.19) -	Much a problem (MP)
3	(2.60-3.39) -	Moderately a problem (MoP)
2	(1.80-2.59) -	Less a problem (LP)
1	(1.00-1.79) -	Least a problem (LeP)

The researcher also used Chi-square<sup>10</sup>, also known as the chi-square test, it is a statistical test used to determine whether there is a significant association between categorical variables. The test calculates a chi-square statistic, which measures the discrepancy between the observed and expected frequencies.

The researcher used the Chi-Square Test<sup>11</sup> as statistical tool in gathering data on the significance relationships between the businrss characteristics and the operations strategy of MSMEs in Nabua, Camarines Sur.

Formula:

$\chi^2 =$

Where:

$\chi^2$	:	Chi Square test
O	:	Observed Frequency
E	:	Expected Frequencies
$\Sigma$	:	Summation

## Chapter 3

This chapter presents, analyzes, and interprets the pertinent information acquired for this investigation. Data were collected using survey questionnaires, informal interviews and observations that were directed by the problem description. This study set out to identify the challenges encountered by micro, small and medium enterprises (MSMEs) in Nabua Camarines Sur. This chapter was divided into four parts: Following the chronology of the study sub-problems;

Part I includes a discussion of the key points from each respondent, including: (a) the kind of business ownership, (b) the nature of business industry, © the length of operation, (d) the number of employees, (e) the initial capital invested.

Part II discusses the operational strategy adopted by the micro, small and medium enterprise in terms of (1) product (2) Marketing (3) competition.

Part III discusses the significant relationship between the business characteristics and operational strategies of MSMEs.

Part IV discusses the challenges encountered by the MSMEs along: (1) product (2) Marketing (3) competition.

Part V discusses the measures designed based on the findings of the study.

### Business characteristics of the MSMEs in Nabua Camarines Sur

#### Kind of Business Ownership

Different business ownership arrangements exist, each with unique traits and ramifications in the law<sup>1</sup>. This part discusses the kind of business ownership of MSMEs in Nabua Camarines Sur.

Table 1

#### The Kind of Business Ownership in Nabua Camarines Sur

Business Ownership	Frequency	Percentage
Partnership	12	15.6%
Corporation	21	27.3%
Cooperative	18	23.4%
Co-ownership <sup>2</sup>	2	2.6%
Sole ownership	24	31.2%
Limited ownership	0	0%
Trust and Beneficial ownership	0	0%
Total	77	100%

The table 1 shows the kind of business ownership. It shows that the respondents were classified into partnership, corporation, cooperative, co-ownership, and sole ownership.

Out of 77 respondents, 12 or 15.6% of the respondents is partnership type of ownership. 21 or 27.3% is corporation, 18 or 23.4% is cooperative, 2 or 2.6% is co-ownership and 24 or 31.2% is sole ownership.

Based on the findings, the majority of businesses in Nabua is owned and operated by sole proprietors. This simply allows the owners to quickly start and run their ventures with autonomy and flexibility. The current study is related to the journal of Akman, G., & Boyacı, A. İ., (2022)<sup>2</sup>, it was stated that sole proprietorship, has advantages related to the ease of start-up, being the boss, and the ability not to share profits, as well as disadvantages related to individual liability for all debts, the danger of mixing personal and business finances, and difficulty in obtaining loans.

This implies that people residing in Nabua may start a business and decide to be the only owner after learning the benefits of easy management and not sharing profits. However, they need to consider the other factors in starting a business such as; processing of permits, hiring, planning, training of employees, procurement of needed materials etc. A team or partner might be needed.

## Nature of Business Industry

The nature of business industry describes the particular industry or field in which a company operates. Numerous industries exist, and each is distinguished by the kinds of goods and services it provides<sup>3</sup>. This part discusses the nature of business industry of MSMEs in Nabua Camarines Sur.

Table 2

The Nature of Business Industry of MSMEs in Nabua Camarines Sur

Business Industry	Frequency	Percentage
Bakery	9	11.7%
Lending	5	6.5%
Catering	2	2.6%
Tailoring	1	1.3%
Fast-food	2	2.6%
Gas Station	8	10.4%
Construction	11	14.3%
Farm Supply	12	15.6%
Merchandising	14	18.2%
Motorcycle dealer	4	5.2%
Money remittance pawnshop	9	11.7%
Total	77	100%

Table 2 shows the Nabua MSMEs nature of business industry. The MSMEs in Nabua Camarines Sur is classified into bakery, lending, catering, tailoring, fast-food, gas station, construction, farm supply, merchandising, motorcycle dealer and money remittance pawnshop.

It is shown that bakery is 9 or 11.7%, lending is 5 or 6.5%, catering is 2 or 2.6%, tailoring is 1 or 1.3%, fast food is 2 or 2.6%, gas station is 8 or 10.4%, construction is 11 or 14.3%, farm supply is 12 or 15.6%, merchandising is 14 or 18.2%, motorcycle dealer is 4 or 5.2% and money remittance pawnshop is 9 or 11.7%. As a result, most of the MSMEs in Nabua is classified as merchandising type of business. The Nabua MSMEs therefore have a sizable amount of merchandising as their business.

This can be related to Naoyuki Yoshino, Farhad Taghizadeh-Hesary April (2016)<sup>4</sup> study, it states that In the highly competitive environment that MSMEs operate in, selecting the right merchandise for the right customer is important and, in most instances, its ability to survive or perish.

This implies that residents in Nabua are free to open their own retail-related businesses if they have the necessary skills, courage to start the business and capital.

## Length of Business Operation

The period of time a business has been in operation, commonly referred to as its "age," is the length of time the business has been in operation<sup>5</sup>. This part discusses the length of business operation of MSMEs in Nabua Camarines Sur.

Table 3

The Length of Business Operation of MSMEs in Nabua Camarines Sur

Length of Operation	Frequency	Percentage
3 years - 4 years	8	10.4%
5 years - 6 years	9	11.7%
7 years - 8 years	5	6.5%
9 years - 10 years	44	57.1%
10 years and above	11	14.3%
Total	77	100%

Table 3 shows the length of operation of the MSMEs in Nabua. It was shown that 8 or 10.4% is 3 years to 4 years in operating the business, 9 or 11.7% is 5 years to 6 years, 5 or 6.5% is 7 years to 8 years, 44 or 57.1% is 9 years to 10 years and 11 or 14.3% is 10 years and above.

Majority of the MSMEs in Nabua has been operating 9 years and above with 44 or 57.1% from the total respondents. Businesses have a better chance of success with the correct planning, funding, and flexibility. The MSMEs in Nabua can examine some of the most common errors that new businesses can make and determine how to increase their chances of success.

The current study was supported by Abd Jalil M. I., Yahya S., & Pitchay A. A. (2019)<sup>6</sup>. It was stated that the economic crises become progressively more global and the frequency as well as the length by which crises occur, is increasing. Crises affect all businesses differently and operating in times of crises is arduous which makes outcomes unpredictable.

Based on the aforementioned data, the researcher implies that the business owner should remain in the business for a longer period of time so they can overcome various difficulties and build a great company.

## Number of Employees

The entire number of people working for an organization is referred to as the number of employees<sup>7</sup>. This part discusses the number of employees of MSMEs in Nabua Camarines Sur.

Table 4

The Number of Employees in MSMEs Nabua Camarines Sur

Number of Employees	Frequency	Percentage
Less than 5 employees	0	0%
6 - 10 employees	29	37.7%
11 - 15 employees	15	19.5%
16 - 20 employees	5	6.5%
21 - 25 employees	16	20.8%
26 - 30 employees	10	13.0%
31 employees and above	2	2.6%
Total	77	100%

Table 4 shows the number of employees. It was shown that 29 or 37.7% has 6 to 10 number of employees, 15 or 19.5% has 11 to 15 employees, 5 or 6.5% has 16 to 20 employees, 16 or 20.8% has 21 to 25 employees, 10 or 13.0% has 26 to 30 employees and 2 or 2.6% has an employee of 31 and above.



As a result, it will greatly benefit the community, especially those looking for employment opportunities in Nabua. It also contributes to the expansion of the corporate economy by creating a sizable workforce.

According to Roy, Pranith Kumar; Shaw, Krishnendu (2021)<sup>8</sup>, one of the biggest difficulties small business owners have is hiring the right people. Managers/owners carefully monitor the number of employees a business employs at any given moment since manpower affects everything from production to client relationships.

Based on the statements made, the researcher implies that the business owner must choose their personnel carefully and determine the necessary staffing levels. Labour costs decrease as productivity increases.

## Capital Investment

Capital investment refers to the funds or resources that are invested in a business for the purpose of acquiring or upgrading assets, expanding operations, or funding long-term projects<sup>9</sup>. This part discusses the MSMEs capital invested in starting the business.

Table 5

The Capital Invested by the owners of SMEs in starting the business

Amount	Frequency	Percentage
₱ 10,000 and below	0	0%
₱ 10,001 - ₱ 20,000	0	0%
₱ 21,000 - ₱ 30,000	6	7.8%
₱ 31,000 - ₱ 40,000	24	31.2%
₱ 41,000 - ₱ 50,000	16	20.8%
₱ 50,000 - and above	31	40.2%
Total	77	100%

Table 5 shows the initial capital invested by the MSMEs in Nabua Camarines Sur. It was shown that 6 or 7.8% invested with ₱ 21,000 - ₱ 30,000, 24 or 31.2% invested with ₱ 31,000 - ₱ 40,000, 16 or 20.8% invested with ₱ 41,000 - ₱ 50,000 and 31 or 40.2% invested with capital of ₱ 50,000 - and above.

Base from the total respondents the Nabua MSMEs has a majority of capital investment amounting to ₱ 50,000 and above with 31 or 40.2%.

According to Erić, Dejan and Stefanović, Saša and Bradić-Martinović, Aleksandra (2018)<sup>10</sup>, most large corporations have humble beginnings, making MSMEs' capacity for growth and investment essential to the success of any economy. It is essential for MSMEs in Nabua to have access to and be able to acquire financial support if they are to continue to be sustainable and expand.

As a result, the researcher implies that setting up a business demands a significant financial investment. However, the majority of small players may be able to launch a firm with less funding, particularly if it involves providing services. Moreover, some of the skill such as massage, manicure/pedicure, haircut, cooking services etc., are few of the business the researcher might suggest to start-up a business.

## Business Operational Strategy

The business operations strategy works closely with the overall business strategy to translate high-level objectives into workable operational plans. Businesses can gain a competitive advantage, increase profitability, and provide value to their consumers by creating and implementing an efficient operations

strategy<sup>11</sup>. This part discusses the MSMEs business operating strategy as it relates to the (1) product (2) Marketing and (3) competition.

## Product Strategy

A product strategy is a plan or method used by a company to develop, position, and manage its products or services in order to satisfy the needs of its target market and accomplish its corporate goals<sup>12</sup>. This part discusses the implementation in the product strategy of MSMEs in Nabua Camarines Sur.

Table 6

### The Implementation in Product Strategy of MSMEs in Nabua Camarines Sur

Product Strategies	WM	Implementation
1 Purchase at the local market (Nabibili ang mga gamit sa palengke)	2.7	MoI
2 Purchase online (Nabibili ang mga gamit sa pamamagitan ng internet)	1.1	LeI
3 Purchase in Manila (Sa Maynila bumibili ng mga gamit)	3.5	MI
4 Consumer's demand (Gagawin kung ilan ang bibilhin ng kostumer)	1.7	LeI
5 Make to stock (Produkto ay gagawin upang may stocks sa tindahan)	2.6	MoI
6 Level production (Produkto ay gagawin ng maramihan depende sa panahon/season)	2.6	
MoI		
7 Wholesale/bulk (Pagbili ng gamit na maramihan)	2.6	MoI

## Legend:

5	(4.20-5.00)	-	Very much Implemented (VMI)
4	(3.40-4.19)	-	Much Implemented (MI)
3	(2.60-3.39)	-	Moderately Implemented (MoI)
2	(1.80-2.59)	-	Less Implemented (LI)
1	(1.00-1.79)	-	Least Implemented (LeI)

The owners of MSMEs in Nabua Camarines Sur. purchase the materials needed in business operation at the local market, it has 2.7 WM and is moderately implemented. Other respondents purchase the materials needed online with 1.1 WM and is least implemented. Purchasing of needed materials in Manila area has 3.5 WM and it is much implemented.

The owners of MSMEs produce the products based on consumer's demand, it has 1.7 WM and it is least implemented however, some respondents moderately implemented the make to stock product strategy, it has 2.6 WM. The level of production has 2.6 WM and it is moderately implemented. Respondents has 2.6 WM and moderately implemented the wholesale/bulk purchasing strategy.

Base from the result, the majority of MSMEs owners in Nabua purchase the needed materials in Manila area through wholesale or in bulk.

The current study can relate to Burt & Sparks (2002)<sup>13</sup>. They stated that efficient consumer response (ECR) and cate-gory management (CM), retailers have been readjusting their assortments, delisting many brands that were deemed to be under-performing and including retailer branded products in an attempt to differentiate themselves by offering goods only available in their stores.

Base from the findings, the researcher implied that MSMEs owner must consider the place where they purchase the materials needed in operating the business. Nearby Barangay is accessible and can lessen the transportation expenses and manage the time. In Manila area, it is also one of the best place to purchase

materials since it has a wide variety of choices and better for bulk/wholesale purchases. Owners are free to decide where to get the necessary materials. They can also freely negotiate prices with the supplier.

## Marketing Strategy

Understanding your target market, deciding on your unique selling proposition, and choosing the right marketing channels are all necessary steps in creating an effective marketing strategy<sup>14</sup>. This part discusses the implementation in marketing strategy of MSMEs owners in Nabua Camarines Sur.

Table 7

The Implementation in Marketing Strategy of MSMEs Owners in Nabua Camarines Sur

Marketing Strategy	WM	Implementation
1 By retail (Sa pamamagitan ng tingian)	4.2	VMI
2 By wholesale (Sa pamamagitan ng pakyawan)	3.5	MI
3 By order (Sa pamamagitan ng pagka-order)	2.6	MoI
4 Buy and Sell (Bumili at mag benta)	2.7	MoI
5 Competitive Pricing (Mapagkumpetensyang presyo)	3.8	MI
6 Selling locally within Nabua Camarines Sur (Nagtitinda lamang sa Nabua Camarines Sur)		
4.1 VMI		
7 Social Media (Pag gamit ng Facebook, Instagram, twitter at ibp)	4.7	VMI

Table 7 shows the implementation of marketing strategy of MSMEs owners in Nabua Camarines Sur. It was shown that offering the product by retail in the MSMEs in Nabua is very much implemented with 4.2 WM. Much implemented with WM of 3.5 by offering the product by wholesale. Moderately implemented on preparing products by order and thru buy and sell with 2.6 and 2.7 WM respectively.

Competitive pricing was much implemented by the MSMEs owner in Nabua with 3.8 WM. The business operates and selling the products locally within Nabua Camarines Sur with 4.1 WM and this is very much implemented. In promoting the business, owners prefer to use the social media as platform in communicating the business to the customers it has 4.7 WM and this is very much implemented.

The current study can be related to (Akaike, H.)<sup>15</sup> study of competitive pricing among computer brands which stated that when there are higher cross-price effects (substitutability) among personal brands there is a greater chance of Stackelberg leader–follower price competition. When self-price effects are relatively high, the likelihood of Bertrand–Nash competition among MPU firms increases.

Madeleine Pullman, Zhaohui Wu (2021)<sup>16</sup> stated that the distribution of product space in a retail setting is crucial for both merchants and suppliers. Grocery merchants are implementing micro-fulfillment systems in order to quickly adjust to the evolving retail environment.

Base from the finding the researcher implied that MSMEs owner must continue on offering the product via retail. However, offering products in bulk and wholesale is good in the business too It can generate higher sales in one purchase, it can avoid over stocking of the products, also, there will be a fast moving transactions which owners can have the opportunity to always have a new and better quality of products.

The MSMEs owners can also use the introductory pricing strategy during the opening of the business to attract customer. However, competitive pricing is used to attract customers by offering prices that are either lower or at least comparable to those of competitors. By doing so, businesses aim to gain a competitive edge, increase market share, and potentially generate higher sales and profits.

## Competition Strategy

Developing a strong competition strategy is crucial for positioning your brand effectively, differentiating yourself from competitors, and ultimately gaining a competitive advantage<sup>17</sup>. This part discusses the implementation in competition strategy of MSMEs owners in Nabua Camarines Sur.

Table 8

The Implementation in competition Strategy of MSMEs owners in Nabua Camarines Sur

Competition Strategy	WM	Implementation
1 Durability (Matibay)	4.7	VMI
2 Uniqueness (Kakaiba ang disenyo)	4.0	MI
3 Trending (Uso)	5.0	VMI
4 Affordable (Mabibili sa mababang halaga)	3.2	MoI
5 Limited edition (Walang kaparehas)	2.6	MoI
6 Discount Promo (Pagbibigay ng diskwento)	3.6	MI
7 Promotional sales (Pagbibigay ng diskwentro sa arw ng sweldo)	2.1	LI

Table 8 shows the implementation in competition strategy of MSMEs owners in Nabua Camarines Sur. It was shown that owners in Nabua ensure that their products is durable and trending it has 4.7 and 5.0 WM and this is very much implemented. The uniqueness of the products is also considered with 4.0 WM and this is much implemented. As for the price, the owners ensure its affordability while offering limited edition items to customer, it has 3.2 and 2.6 WM and this is moderately implemented. Discount promo has 3.6 WM and this is much implemented. Promotional sales with 2.1 WM and is least implemented.

Base from the result, the owners of MSMEs considered the durability, trends, uniqueness, affordability and offering limited edition of products to the customers. This is to stay competitive among all the other brands catering on the same area and even to online selling which is becoming trendy today.

The current study was supported by the line stated by Møller Hanne Hagtvedt, Therese Lødrup, Nina Andersen, Jens Kirk (2016)<sup>18</sup>. When prolonging the durability of the product, the retail waste decreased significantly. The individual consumer needs clearer and more easily accessible information on different labelling, storage temperature and durability of products.

Base from the findings, the researcher implied that the MSMEs owners must be keen observant with regards to competition. Innovation of the products must be considered to have a competitive advantage.

The Relationship Between the Business Characteristics and Operational strategies of MSMEs in Nabua Camarines Sur

It enables organizations to create and put into practise operational strategies that successfully support their corporate objectives, promote efficiency, and adapt to shifting surroundings. Strategic alignment, competitive advantage, resource optimization, flexibility, risk mitigation, and increased performance are all made possible by understanding the important relationship between business characteristics and operational strategy<sup>19</sup>.

This part discusses the test of significant relationship of the business characteristics and operations strategy of MSMEs in Nabua Camarines Sur.

Table 9

Test of Significant Relationship between the business characteristics and operations strategies of MSMEs in Nabua Camarines Sur.

Business Characteristics	df	Critical Value of X2	Computed Value	Decision
Kind of Business Ownership	16	26.296	56.53	Reject Ho SR
Name of Business Industry	40	55.758	60.96	Reject Ho SR
Length of Business Operation	16	26.296	60.56	Reject Ho SR
Number of employees	20	31.41	18.95	Accept Ho NSR
Capital Investment	12	21.026	27.19	Reject Ho SR

Null Hypothesis. There is no significant relationship between the business profile and operational strategies of MSMEs.

Table 9 shows the significant relationship between the business characteristics and operational strategies. It shows that there is a significant relationship between the business characteristics and the kind of business ownership most to the marketing with 56.53 computed value vs the critical value of X2 26.296, the name of business industry has a significant relationship with operational strategy most to its marketing with computed value of 60.96 vs the critical value of X2 55.758, the length of business operation has a significant relationship with business characteristics most to its competition with computed value of 60.56 vs the critical value of X2 26.296 and the capital investment has a significant relationship to the business characteristics most to its marketing, it has a computed value of 27.19 vs the critical value of X2 21.026. The number of employees has no significant relationship with the business characteristics, it has a computed value of 18.95 vs the critical value of X2 21.026.

Base from the result it has been identified that the business characteristics has a significant relationship with the kind of business ownership, name of business industry, length of business operation and the capital investment. The Number of employee has no significant relationship to the business characteristics.

The current study was supported by the journal of Prajogo, D.I. and McDermott, C.M (2008)20. It was stated that the importance of implementing operations activities in the firm's strategic directions. As firms decide how they choose to strategically position their operating systems, they in turn need to decide how to best focus their resources on operational elements that support these goals.

Base from the result and the theory stated the researcher implies that the owner should create a simple business plan before starting a business. It is important to have a set of plans, example budget allocation, hiring staff, choosing location where to put up the business, simple feasibility study and foot traffic analysis. It is also important to have a list of procedure for the purpose of stabilizing the daily operations as well as this would help the management to train the staff and monitor the process. Owners should have a list of suppliers to avoid shortage of stocks. Planned marketing activities should also be consider specially during the opening of the business so that customers can easily recognize the business.

A review of the process and continued monitoring is very important to reduce the anticipated challenges that might occur and to have a competitive advantage.

The discussion of MSMEs owners along with the faced challenges includes the following; (1) Product (2) Marketing and (3) Competition.



## Product Challenges

Product challenges can arise at various stages of the product lifecycle, from development and launch to growth and maturity. Strategic planning, market research, innovation, customer centricity, effective communication, and continual improvement are all necessary to address these product difficulties. Businesses can increase the competitiveness of their products, satisfy client expectations, and enjoy long-term success by proactively identifying and addressing these challenges<sup>21</sup>.

This part discusses the mean response of the MSMEs owner on the encountered challenges particularly in products.

Table 10

Mean Response of the MSMEs owner on the encountered challenges particularly in products

Product Challenges	WM	Interpretation	R
1 Availability of raw materials (Mabilis hanapin ang mga kailangang materyales)	3.3		
MoP 6			
2 Increasing prices of raw materials (Pagtaas ng mga bilihan)	4.4	VMP	2
3 Durability of materials (Tibay ng mga gamit)	3.2	MoP	7
4 Availability of substitutes items (Makakahanap ng pang halili na materyales)	3.8	MP	3
5 Bargaining power of supplier (Pakikipag tawaran ng may-ari)	5.0	VMP	1
6 Quality of materials (Tibay ng mga materyales)	3.6	MP	4
7 Inventory losses of materials (Kakulangan sa imbentaryo)	3.6	MP	5

## Legend:

5	(4.20-5.00)	-	Very much a problem (VMP)
4	(3.40-4.19)	-	Much a problem (MP)
3	(2.60-3.39)	-	Moderately a problem (MoP)
2	(1.80-2.59)	-	Less a problem (LP)
1	(1.00-1.79)	-	Least a problem (LeP)

It was shown that rank 1 of very much a problem encountered by the MSMEs owner is the bargaining power of supplier, it has 5.0 WM. Rank 2 of very much a problem is the increasing prices of raw materials with 4.4 WM. Rank 3 of much a problem encountered by the owners is the availability of substitutes items, it has a 3.8 WM. Rank 4 of much a problem by the owners is the quality of materials with 3.6 WM. Rank 5 of much a problem is the inventory losses of materials with 3.6 WM. Rank 6 is moderately a problem encountered by the owners with regards to availability of raw materials, it has 3.3 WM. Rank 7 is also moderately a problem encountered by the MSMEs owners in Nabua particularly with the durability of materials, it has a WM of 3.2.

The current study was supported by the article of Postiglione, G.A. (2010)<sup>22</sup>, It was stated that one of the greatest issues MSMEs are dealing with is rising costs and declining revenue. A million companies concur, and for various factors. These include things like inflation, the price of raw materials, insurance costs, a decline in the market for goods and services, and other standard business expenses.

Base from the findings, the researcher implied that the MSMEs in Nabua should have an alternative solution when the prices of raw materials occur such as finding alternative materials or substitute. However, things like this cannot control by the owners. If this happened, owners might seek help to the local

government. Owners must find a list of suppliers which can deal fairly that both can earn sales, a suppliers that offers better quality of materials. As for the inventory losses, owners should hire an employee with knowledge on inventories or provide necessary training related to proper inventory and checking to avoid inventory losses and errors.

## Marketing Challenges

Marketing challenges can vary depending on factors such as industry, target market, and competitive landscape<sup>23</sup>. This part discusses the mean response of the MSMEs owner on the encountered challenges particularly in marketing

Table 11

Mean Response of the MSMEs owner on the encountered challenges particularly in marketing

Marketing Challenges	WM	Interpretation	R
1 Producing and delivering product (Paggawa at pag hatid ng mga gamit)	2.8	MoP	6
2 Keeping up with trends and technology (Nakikisabay sa mga uso at teknolohiya)	4.0	MP	1
3 Lack of resources (budget/time/people) (Kakulangan sa puhunan, oras at tao)	3.9	MoP	2
4 Choosing the right media platform (Pagpili ng tamang platform ng media)	2.1	LP	7
5 Consistent execution of marketing activities (Patuloy na pagpapatupad ng mga aktibidad sa marketing)	3.4	MP	4
6 Increasing visibility and generating quality leads (Matibay na pagkakakilanlan ng negosyo)	3.9	MP	3
7 Who to trust when outsourcing marketing activities (Mga taong mapagkakatiwalaan sa pagpapatupad ng activity)	3.2	MoP	5

Table 11 shows the challenges encountered by the MSMEs particularly in marketing their products. It was shown that Rank 1 of much a problem encountered by the MSMEs owner is keeping up with trends and technology, it has a 4.0 WM. Rank 2 of moderately a problem is lack of resources with 3.9 WM. Rank 3 of much a problem is Increasing visibility and generating quality leads it has 3.9 WM. Rank 4 of much a problem encountered by the owner is the consistent execution of marketing activities, it has 3.4 WM. Rank 5 of moderately a problem is who to trust when outsourcing marketing activities with 3.2 WM. Rank 6 of moderately a problem is producing and delivering the product with 2.8 WM. Rank 7 of less a problem is choosing the right media platform in marketing the product, it has a WM of 2.1.

The marketing issues faced by MSMEs in Nabua were the biggest obstacles they faced. Upgrading equipment and machinery can be expensive, but people are increasingly looking for upgraded systems and technology that can meet their needs. If competitors also raise the bar on their technology, customers may decide to switch brands.

Based on the researcher's informal interview, they are unable to deny that their greatest obstacles arose from a shortage of resources that exceeded their budget. Respondents acknowledged that sales weren't always successful, but they still had duties to fulfil.

They may have to keep taking out loans to support the firm. Because of cost-cutting measures, Nabua's MSMEs owners are conscious that they are not being consistent in delivering marketing efforts

to sustain the knowledge they wish to instill in their clients. However, using marketing tools like posters, flyers, and streamers to advertise can help them attract new clientele and boost sales.

Other business owners would like a better visibility of the store despite the price difference in terms of rentals, therefore the location of the business is vital. According to an informal interview, people are more likely to spend money, though, if the location is visible to and easily accessible by all of the consumers.

The current study was supported by Brown, L., McDonald, M.H.B24. he states that competitive position, set business objectives, which will comprise revenue, market share and profit requirements, then formulate the strategies necessary to achieve the new position. Under these conditions, marketing strategies are the centerpiece. The task of competitive marketing strategy is to move a business from its present position to a stronger competitive one. This must be done by adapting and responding to external trends and forces such as competition, market changes and technology, and developing and matching corporate resources and capabilities with the firm's opportunities.

Base from the findings and supporting study the researcher implied that MSMEs in Nabua should select a variety of complementary activities. As an illustration, if you're aiming to establish a new product in the market, you can decide to run local radio ads, create social media accounts, and use a low-cost pricing strategy for first-time purchasers such as poster, flyer and putting up banner. Promotional discounts can also be considered since customer is being attractive to purchase items when getting discounts. Selection of best team member can also help the business thru being the brand ambassador and the main character in promoting the business, with the skills and good services they provide customer will have positive experience and will continue to repeat business. These strategy work best when combined as a package since they increase your market reach.

## Competition challenges

This part discusses the mean response of the MSMEs owner on the encountered challenges particularly in competition.

Table 12 shows the mean response of MSMEs owners to market competitive advantage. It shows that Rank 1 is the cost focus strategy with 3.0 WM response and is moderately a problem. Rank 2 is differentiation leadership strategy with 2.9 WM and is moderately a problem. Rank 3 is the cost-leadership strategy with 2.4 WM and is less a problem. Rank 4 is shrinking the available customer base with 1.7 WM and is least a problem. Rank 5 is forcing to lower the prices to stay in competitive, WM is 1.5 and is least a problem. Rank 6 is business decreases an individual companies market share with 1.5 WM and least a problem. Rank 7 is decreasing profit margins for each sale or service with WM of 1.4 and least of a problem.

Table 12

Mean Response of the MSMEs owner on the encountered challenges particularly in competition

Competition Challenges	WM	Interpretation	R
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1 Shrinks the available customer base (Limitahan ang pagpipilian ng mga kustomer)	1.7	LeP	4
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2 Forced to lower prices to stay competitive (Pagpapa baba ng presyo ng mga produkto upoang tangkilikin ng mga kustomer)	1.5	LeP	5
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3 Decreasing profit margins for each sale or service (Pag baba ng mga margin ng tubo para sa bawat pagbebenta o serbisyo)	1.4	LeP	7
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- 4 Business decreases an individual companies market share (Pag bawas sa indibiduwal na share/bahagi sa kompanya) 1.5 LeP 6
- 5 Cost leadership strategy (Diskarte sa pamumuno sa pag gastos) 2.4 LP 3
- 6 Cost focus strategy (Diskarte sa pag tutok sa mga gastusin) 3.0 MoP 1
- 7 Differentiation leadership strategy (Diskarte sa pamumuno sa pagkakaiba-iba) 2.9 MoP 2

The current study was supported by the article written by Kyj, M.J. and Kyj, L.S25., It was stated that in business-to-business marketing, customer service gives businesses the chance to set themselves apart from rivals and gain a competitive advantage.

Base from the findings the researcher implied that the MSMEs in Nabua might consider taking-up seminars relating to innovations, marketing activities and updating strategies thru reviewing current service customer satisfaction.

The researcher believed that awareness and being knowledgeable to current trends in market competitor can support the details in formulating their strategy. Bench-marking should also be done in order to observe competitive advantage, it may be thru the technology, machinery or service.

#### Designed Measures Based on The Findings

The Guide-book on operations strategy is primarily intended for micro, small and medium-sized business owners who lack a formal background in operations strategy, basic accounting, business, or entrepreneurship. Entrepreneurs that merely have a passion for running a business to support themselves.

## 4. SUMMARY, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter is a discussion of the summary, findings and recommendations of the data gathered in the study.

### Summary

This study aimed to determine the challenges encountered by the MSMEs in Nabua Camarines Sur. Specifically it sought answer to the following questions: (1) What are the business characteristics of Micro, Small and Medium Enterprise (MSMEs) in Nabua, Camarines Sur along: (a) Kind of Business Ownership (b) Nature of Business Industry © Length of operation (d) Number of employees (e) Initial capital. (2) What are the operational strategies adopted by Micro, Small and Medium Enterprise (MSMEs) in terms of: (a) Product (b) Marketing © Competition (3) Is there a significant relationship between the business characteristics and operational strategies of MSMEs? (4) What are the challenges encountered by the MSMEs along: (a) Product (b) Marketing © Competition (5) What measures can be designed based on the findings of the study?

The study was premised on the assumptions that the business characteristics of the respondents varies along with the nature of ownership, length of operation, number of employees and initial capital. It intended to address the operational strategies of MSMEs in Nabua, which emphasize the usage of products, marketing, and competition. It highlights the challenges encountered by the MSMEs owner in Nabua particularly with their products, marketing, and competition. The study also discovered the important significance between the operational strategies and business characteristics of MSMEs and putting all potential measures on the table that could be created based on the study's findings.

The study used a descriptive research design. The weighted mean, percentage, rank and chi-square test were the statistical techniques employed.

The results of this study is anticipated to be important for MSMEs, governmental organizations, financial institutions, policy-makers, clients, the community, future researchers, the Commission on Higher Education (CHED), instructors and students.

Nabua Camarines Sur served as the study's location for the year 2022. The topics were restricted to Micro, Small and Medium-sized Enterprises (MSMEs) running businesses in the region who were registered with the Nabua Camarines Sur Municipality Treasurer's Office, had been in operation for at least three years, had a minimum of one employee, and had capitalization of not more than P100,000,000.

The study concentrated on the operational strategy adopted by MSMEs in Nabua Camarines Sur to establish a competitive edge, maintain profitability, and most importantly achieve continued existence in the entrepreneurial field.

## Findings

The research produced the following results.

(1) The characteristics of the MSMEs in Nabua Camarines Sur; (1.1) The majority of the kind of business ownership in Nabua Camarines Sur is sole ownership 31.2%, corporation 27.3% and cooperative 23.4%. (1.2) The nature of business industry is most classified into merchandising 18.2%, farm supply 15.6%, and construction supply 14.3%. (1.3) The top three Nabua MSMEs Length of Business Operation has 9 years to 10 years 57.1%, 10 years and above 14.3% and 5 years to 6 years 11.7%.

(1.4) The number of employees in Nabua MSMEs has a 6 to 10 number of employees 37.7%, 21 to 25 employees 20.8% and 11 to 15 employees 19.5%. (1.5) The capital investment needed by the owners of MSMEs in starting the business ranges from ₱ 50,000 - and above 40.2%, ₱ 31,000 - ₱ 40,000 31.2% and ₱ 41,000 - ₱ 50,000 20.8%.

(2) The Business Operational Strategy of MSMEs in Nabua Camarines Sur (2.1) Product Strategy; The owners of MSMEs in Nabua Camarines Sur purchase the materials needed in business operation at the local market, it has 2.7 WM and is moderately implemented. Other respondents purchase the materials needed online with 1.1 WM and is least implemented. Purchasing of needed materials in Manila area has 3.5 WM and it is much implemented. The owners of MSMEs produce the products based on consumer's demand, it has 1.7 WM and it is least implemented however, some respondents moderately implemented the make to stock product strategy, it has 2.6 WM. The level of production has 2.6 WM and it is moderately implemented. Respondents has 2.6 WM and moderately implemented the wholesale/bulk purchasing strategy.

(2.2) Marketing Strategy; It was shown that offering the product by retail in the MSMEs in Nabua is very much implemented with 4.2 WM. Much implemented with WM of 3.5 by offering the product by wholesale. Moderately implemented on preparing products by order and thru buy and sell with 2.6 and 2.7 WM respectively. Competitive pricing was much implemented by the MSMEs owner in Nabua with 3.8 WM. The business operates and selling the products locally within Nabua Camarines Sur with 4.1 WM and this is very much implemented. In promoting the business, owners prefer to use the social media as platform in communicating the business to the customers it has 4.7 WM and this is very much implemented.

(2.3) Competition Strategy; owners in Nabua ensure that their products is durable and trending it has 4.7 and 5.0 WM and this is very much implemented. The uniqueness of the products is also considered with 4.0 WM and this is much implemented. As for the price, the owners ensure its affordability while offering limited edition items to customer, it has 3.2 and 2.6 WM and this is moderately implemented. Discount



promo has 3.6 WM and this is much implemented. Promotional sales with 2.1 WM and is least implemented.

(3) The Significant Relationship Between the Business Characteristics and Operational strategies of MSMEs; There is a significant relationship between the business characteristics and the kind of business ownership most to the marketing with 56.53 computed value vs the critical value of X2 26.296, the name of business industry has a significant relationship with operational strategy most to its marketing with computed value of 60.96 vs the critical value of X2 55.758, the length of business operation has a significant relationship with business characteristics most to its competition with computed value of 60.56 vs the critical value of X2 26.296 and the capital investment has a significant relationship to the business characteristics most to its marketing, it has a computed value of 27.19 vs the critical value of X2 21.026. The number of employees has no significant relationship with the business characteristics, it has a computed value of 18.95 vs the critical value of X2 21.026.

(4) The Challenges Encountered by The Owner of MSMEs in Nabua Camarines Sur: (4.1) Product challenges; Rank 1 of very much a problem encountered by the MSMEs owner is the bargaining power of supplier, it has 5.0 WM. Rank 2 of very much a problem is the increasing prices of raw materials with 4.4 WM. Rank 3 of much a problem encountered by the owners is the availability of substitutes items, it has a 3.8 WM. Rank 4 of much a problem by the owners is the quality of materials with 3.6 WM. Rank 5 of much a problem is the inventory losses of materials with 3.6 WM. Rank 6 is moderately a problem encountered by the owners with regards to availability of raw materials, it has 3.3 WM. Rank 7 is also moderately a problem encountered by the MSMEs owners in Nabua particularly with the durability of materials, it has a WM of 3.2.

(4.2) Marketing challenges; Rank 1 of much a problem encountered by the MSMEs owner is keeping up with trends and technology, it has a 4.0 WM. Rank 2 of moderately a problem is lack of resources with 3.9 WM. Rank 3 of much a problem is Increasing visibility and generating quality leads it has 3.9 WM. Rank 4 of much a problem encountered by the owner is the consistent execution of marketing activities, it has 3.4 WM. Rank 5 of moderately a problem is who to trust when outsourcing marketing activities with 3.2 WM. Rank 6 of moderately a problem is producing and delivering the product with 2.8 WM. Rank 7 of less a problem is choosing the right media platform in marketing the product, it has a WM of 2.1.

(4.3) Competition challenges; Rank 1 is the cost focus strategy with 3.0 WM response and is moderately a problem. Rank 2 is differentiation leadership strategy with 2.9 WM and is moderately a problem. Rank 3 is the cost-leadership strategy with 2.4 WM and is less a problem. Rank 4 is shrinking the available customer base with 1.7 WM and is least a problem. Rank 5 is forcing to lower the prices to stay in competitive, WM is 1.5 and is least a problem. Rank 6 is business decreases an individual companies market share with 1.5 WM and least a problem. Rank 7 is decreasing profit margins for each sale or service with WM of 1.4 and least of a problem.

(5) Designed Measures Based on The Findings; The Guidebook on operations strategy is primarily intended for micro, small and medium-sized business owners who lack a formal background in operations strategy, basic accounting, business, or entrepreneurship. Entrepreneurs that merely have a passion for running a business to support themselves.

**Conclusions**

The following conclusions were arrived at in light of the aforementioned findings:

1. The majority of MSMEs business in Nabua Camarines Sur is owned by sole-proprietor, with 6-10 number of employees, engaged in merchandising type of business, operating 9-10 years with capitalization of ₱ 50,000 - and above. This is true and evident in the Municipality of Nabua, they have limited financial sources and opportunity for business expansion.
2. The existing business operational strategy of MSMEs in Nabua particularly in terms of product, marketing, and competition are being applied evidently, however the owners need to educate with the current trends and strategies to support the current activity and achieve competitive advantage.
3. There is significant relationship between the business characteristics and the kind of business ownership, name of business industry, length of business operation and the capital investment, however, there is no significant relationship between the business characteristics and the number of employees in MSMEs of Nabua Camarines Sur.
4. The challenges encountered by the MSMEs owner along with its product, marketing, and competition has been a critical issues that the few of the owner prefer to retire from the business when the competition became tight.
5. A Guide-book in Operations Strategy for Micro, Small and Medium Enterprise has been made to support the MSMEs owner in pursuing to beat the competition in the market and be guided on their day-to-day operation in order to gain a competitive advantage and continues existence in the business arena.

**Recommendations**

The recommendations below were made in light of the aforementioned findings and conclusions:

1. The business characteristics of MSMEs in Nabua shows short existence in the market with capitalization of P 50, 000 thousand and above. The LGU and non-government organizations in Municipality of Nabua should come-up with a program that will provide financial assistance to the MSMEs owners to help them achieve a sustainable and competitive advantage in its daily operation and expansion.
2. The existing business operational strategy of MSMEs in Nabua particularly in terms of product, marketing, and competition are being applied evidently, however the application needs to enhance and upgrade through training, seminar and workshop. A leader of the local business organization can initiate the program with the help and support of the LGU of Nabua Camarines Sur as well the researcher.
3. There is a relationship between operational strategy and business characteristics. To maximize their competitive advantage, meet consumer needs, optimize resource allocation, and react to the dynamic market conditions in which they operate, businesses must carefully analyse their distinctive qualities and align their operational strategy.
4. The challenges encountered by the MSMEs owners along with its product, marketing, and competition shall be given during the training-workshop made understandable to the level of the MSMEs owner.
5. The Guide-book made by the researcher will be used during the conduct of training-workshop in order for them to be guided. Copies will be initially distributed to all the MSMEs owners.

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