

**A 5-YEAR ANALYSIS OF THE BUSINESS PERFORMANCE OF DTI-
ASSISTED MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
IN NEGROS OCCIDENTAL**



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ABSTRACT

The role of the micro, small and medium enterprises (MSMEs) is very evident in nation building. There is a wide recognition that MSMEs play a crucial role in the economic growth and industrial expansion of developed and developing countries globally. This sector contributes substantially to the economy since they are huge in numbers (99.6 percent of the country's registered firms) and because of that they are instrumental to 69.9 percent employment in the country.

Recognizing the vital role of the sector in the country's economic growth, this study entitled, "A 5-Year Analysis of the Business Performance of DTI-assisted Micro, Small and Medium Enterprises (MSMEs) in Negros Occidental", is undertaken to assess effectiveness of service delivery by service providers. Specifically, however, this initiative described the characteristics of the entrepreneurs and the enterprises, nature of interventions, environmental factors which may have facilitated or hindered business performance, and the variations or changes among variables (e.g., interventions according

to business characteristics, external factors; business performance according to interventions, business characteristics and external factors, etc.) of study.

In this study, only the DTI-Negros Occidental Provincial Office's 103 clients who are enrolled in the Business Profile Matching System (BPMS) from identified priority sectors -- processed food, gifts, decors & housewares, garments, furniture & furnishings, and metalworking -- were the respondents.

It is noted in this study that a number of government agencies are directly and indirectly dipping their hands to assisting the MSMEs nationwide. Key agencies include the DTI, DOST, DOLE/TESDA, DA, DENR, and DILG. There are private organizations, trade associations, chamber of commerce, and the academe that are also involved in support for the sector's development.

This research output is hoped to benefit government agencies and other organizations that would also like to analyze changes in the performance of their assisted clients; for business development workers that will guide them on how to effectively manage the program to deliver better results; for future researchers as their inputs on their research endeavors; and other project management initiatives. But above all, the MSME clients will benefit more from this undertaking since new findings are hoped to be adopted by the project implementers for a more rationalized project planning and execution.

The study used the descriptive research, utilizing both quantitative and qualitative data for the analysis. Changes and/or variations on the studied variables were also done

The data gathered from respondents were processed using a software program-based, IBM Statistical Packages for Social Sciences (SPSS), version 11. Going through a formal and scientific process, the results of the study are highlighted as follows:

1. Enterprises and entrepreneurs' characteristics

A significant number of businesses covered by the study (68%) are into sole proprietorship. The obvious preference of business owners for single proprietorship may be due to ease of establishment, lesser documentary requirements, and quicker registration process compared with the other type of organizations, i.e., corporation/partnership and cooperatives.

Most of the assisted clients started their business with very small capital. Thirty five percent of them had initial investment of P15,000.00 or less.

The age of the entrepreneurs who were subject of this study ranged from 30 to over 60 years old. Respondents who were 40 to 55 years old shared the highest percentage (60.2%) of the respondent. The majority (83.5 percent) of them are married.

In terms of education, most of the MSME managers belonged to the educated class. At least eighty two percent have bachelor's degrees, 14.6 percent were high school. Only one percent had a doctorate degree holder.

2. Political, economic and technological factors affecting MSMEs' business

The external factors that were pre-identified to affect MSMEs business were political, economic and technological.

About eighty two percent of the clients were convinced that their businesses were affected by factors that are political in nature (bureaucratic red tape, politics in the local

government, and prioritization of the incumbent). Of those who believed that political factors really matter on their business, the respondents rated politics in the LGU, the highest (46.4%) among the factors that are affecting business operations, followed by bureaucratic red tape in the government (39.3%).

Compared with political factor, economic factor has the higher leveraging influenced on business operations as perceived by the respondents. It surfaced that the compounded problem on global economy (e.g., recession), slow local economic activities, and seasonality of demand (with 61.9%) have challenged the MSMEs' business.

With regard to technological factors affecting business, 92.2 percent answered affirmatively, while only 7.8 percent said otherwise. Computerization of the business processes, use of internet, and the mechanization of the production system were the major factors that the respondents considered affecting the business technologically.

3. Government and other organizations' interventions to MSMEs

Various forms of business development services were extended to the clients. Normally, these services would cover marketing, operations/production, financial and organization/management aspects of business.

Specific categories/forms of assistance have been provided to the SMEs in this study. These are: skills trainings, entrepreneurship seminars, management trainings/seminars, marketing assistance, trade fair participation, product development, consultancy services, and financing. Also included in the analyses are the number of times and the amount of assistance availed. Since the absolute value of the assistance

cannot be determined/remembered by the respondents, the use of the ranges was utilized for convenience.

Among the various assistance provided, the answers vary especially in the number and amount of interventions. For instance, a big number (84.5%) of respondents had availed of the DTI's skills trainings in 2007-2011. Only 15.5% out of 103 business owners did not attend the skills trainings.

Aside from DTI, there were other agencies that supported the development of the sector. Specifically, these include DOST, TESDA, DOLE, DA and the LGUs.

4. MSMEs' business performance

The measures of business performance in this study are sales (domestic and export), production capacity, market coverage.

A 5-year domestic sales posted a net positive change of 76.6 percent compared to 2006 base year figure, despite the economic crisis in 2008. The average export sales performance on the otherhand, resulted to a decrease of 14 percent with reference again to 2006. Both, however exhibited a fluctuating trend in five (5) years.

On the production capacity, data generated indicate that MSMEs' outputs have been showing a very modest growth. The percentage changes between a 2-year period starting from 2006 to 2011 generated an average growth of 1.98 percent. The highest growth was attained between 2006-2007 with a 3.0 percent mark.

Most of the markets served by the clients were expanding based on the figures in years 2007-2011. Local market dominates the MSMEs' market. The next market that is most served by the MSMEs is national in territorial scope, which averaged at 39.2 percent in a 5-year period, with an increase of 8.2 percent as compared to 2006.

Expectedly, going export is the least the market coverage being considered by the respondents. This was caused by some difficulties encountered in penetrating the international market.

5. Variations in interventions according to business characteristics

Assistance offered to MSMEs, regardless of their types, i.e., single proprietorship, corporation or partnership, were mostly similar in nature and the same were likewise availed by the clients. The survey results show that sole proprietorship, corporation and partnership business had availed mostly of skills trainings, participation to trade fairs, product development and management seminars.

With regard capitalization, the distribution of the forms of interventions was also of the same nature with that of the type of business. Skills trainings topped the list of assistance availed (regardless of the capital), followed by entrepreneurship seminars, participation to trade fairs, and product development. The least of the services availed by the clients were the consultancy services and financing.

The variations in interventions according to years in business are similar to those other business characteristics (i.e., type of business & capitalization) as earlier explained.

6. Variations in interventions according to the external factors

The variations of interventions according to the external factor are also somewhat similar to the variations in business characteristics. Major interventions availed for instance were skills trainings, management seminars, marketing assistance, consultancy services and financing. Further, it is evident in the results of the survey that the decision of the respondents whether to participate or not in any activities of the

agency cannot be attributed to environmental factors as perceived by the respondents, but rather a decision was made because of expected benefits in return.

8. Variations in performance according to business characteristics

As to type of business organizations, domestic and export sales generally exhibited a favorable performance based on a 5-year average (2007-2011) as compared to the 2006 base year figures, except for the corporation's export sales in which there was a 21.2 percent decline. Also, it was noted a remarkable percentage increase of more than 50 percent (51.2) for the corporations' domestic sales, while 35.2 percent for the single proprietorship businesses.

On the otherhand, single proprietorship's export sales average in a 5-year period is a little less than a quarter (22%) increase vis-à-vis the 2006 figure.

9. Variations in performance according to the external factors

The MSME-clients could not explicitly determine the results of their business performance as influenced by various external factors. According to the surveyed clients, political, economic and technological factors, though have affected to some extent the operations of the business, but the clients have no records to show to quantify that on sales, production capacity and market coverage. Thus, when considering the discussion on the external factors, only descriptions of these factors are detailed in the study.

Lastly, this undertaking has come up with a number of recommendations addressed to policy-makers, program managers and implementers (both in the government and private organizations), non-government organizations in the Philippines, academe, future researchers, entrepreneurs, and other business development players.

These may not be perfect antidote to business development-related problems but by verbalizing them, at least, is already a step forward.