

# Awareness of Micro, Small, and Medium Enterprises on the Salient Features of Magna Carta for Msmes, Barangay Micro Business Enterprises Act, and Go Negosyo Act in the Philippines

Dr. Marivic N. Villegas, Jorivel N. Villegas, Kristine Joy P. Balite, and Andrea C. Ramos

Nueva Ecija University of Science and Technology, Cabanatuan City, Philippines

***Abstract**— The study was conducted to determine the awareness of the MSMEs in District IV of Nueva Ecija on the three important laws that provides programs that will benefit them. Particularly, these are the Magna Carta for MSMEs (RA 9501), Barangay Micro Business Enterprises (BMBEs), and the Go Negosyo Act (RA 10644). Descriptive research method was used in the study with 340 enterprises as respondents in District IV of Nueva Ecija. The main instrument of the study was survey questionnaire composed of closed ended questions.*

*Based on the result of the study, majority of the respondents were female, married and college graduates. Moreover, they are belong to micro enterprises based on the classification under RA 9501 and majority are belong to service industry. The study also reveals that MSMEs are already aware on the many important provisions under the three laws. They are already aware that there are Negosyo Centers in many municipalities in the province and gives services such as business name registration. However, they are not aware on the other services of the centers such as trainings and technical assistance. The DTI has been effective in information dissemination of the existence of the negosyo centers, though additional efforts shall be given to inform the target clientele on the services they offer. The MSMEs also recognized the importance of business registration on the qualification to benefit from the programs of the government especially those under the three laws.*

*Based on the findings of the study, the researchers want to recommend the following to future researchers, Local Government Unit, Policy makers, universities, and enterprises. Other researchers can use this study as a main reference for future research than can be conducted in other municipalities or districts of Nueva Ecija. This is to identify if the result of this study will be the same in other places. They can explore their municipalities to seek for assistance given by the three important legislations such as the Negosyo Centers created under the Go Negosyo Act. These facilities will help them in the operation including the marketing, production, and even in the financial assistance. The LGU and Policy makers should improve the information dissemination of the Magna Carta for MSMEs, BMBEs Act, and the Go Negosyo Act. Since the result of the study is that there are still enterprises that are not aware on the programs of the three legislations. Seminars and trainings can be conducted to increase the awareness of the MSMEs. Private and state universities should also improve the awareness of the students on the programs given by the Magna Carta for MSMEs, BMBEs*

*Act, and Go Negosyo act so that in the future when they established their own enterprises they can take advantage the availability of the programs given by the three legislations.*

**Keyword— MSMEs, Magna Carta for MSMEs, Barangay Micro Business Enterprises Act, Go Negosyo Act.**

## I. INTRODUCTION

The MSME Sector Micro, small and medium enterprises (MSMEs) have a very important role in developing the Philippine economy. They help reduce poverty by creating jobs for the country's growing labor force. They stimulate economic development in rural and far-flung areas (Senate of the Philippines, 2012). They serve as valuable partners to large enterprises as suppliers and providers of support services. They serve as breeding ground for new entrepreneurs and large corporations. A vibrant MSME sector is thus an indication of a thriving and growing economy. Despite policies that aim to provide an enabling environment for MSME development, the sector still faces various constraints that prevent it from realizing its full growth and potential.

Micro, small, and medium enterprises (MSMEs) are defined as any business activity/enterprise engaged in industry, agri-business/services, whether single proprietorship, cooperative, partnership, or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value of not more than 3 million Pesos (Sec. 3. of R.A.9501 otherwise known as the Magna Carta for Micro, Small and Medium Enterprises (MSMEs). The law is geared to uplift the entrepreneurial spirit in the Philippines by providing a conducive business environment businessmen and entrepreneurs.

The RA 9178 defined Barangay Micro Business Enterprises (BMBEs) as any business enterprise engaged in production, processing, or manufacturing of products, including agro-processing, as well as trading and services, with total assets of not more than P3 million. Such assets shall include those arising from loans but not the land on which the plant and equipment are located (DTI, 2009).

BMBEs are essential to the country's economic development since they effectively serve as seedbeds of Filipino entrepreneurial talent. Thus, the Act primarily aims to integrate micro enterprises in the informal sector into the mainstream of the economy (Entrep.ph, 2018).

Strengthening BMBEs would mean more jobs and livelihood, and a better quality of life for Filipinos .

Republic Act No. 10644 also known as Go Negosyo Act seeks to strengthen micro, small and medium enterprises (MSMEs) to create more job opportunities in the country. The basic policy of the "Go Negosyo Act" is to foster national development, promote inclusive growth, and reduce poverty by encouraging the establishment of MSMEs that facilitate local job creation, production and trade in the country (DTI, 2012).

This study analyzes the awareness of enterprises to determine the salient features of Magna Carta for MSMEs, Barangay Micro Business Enterprises (BMBEs) Act and Go Negosyo Act at selected Municipalities of District IV (Cabiao, Jaen, San Antonio, and San Isidro) in Nueva Ecija. Also, at the end conduct of this, the researchers would propose to the MSMEs the awareness or action that can give to their customer about what policy or responsibilities to the Business World.

### Statement of the Problem

Generally, this study will try to assess the level of awareness of the enterprises on the salient features of Magna Carta for MSMEs, Barangay Micro Business Enterprises (BMBEs) Act Go Negosyo Act at selected Municipalities of District IV (Cabiao, Jaen, San Antonio, and San Isidro) in Nueva Ecija. Specifically, this study will try to determine the following:

1. To determine the Profile of the Owner in terms of:
  - 1.1 Gender
  - 1.2 Civil Status;
  - 1.3 Educational Attainment;
2. To determine the Profile of the Enterprises:
  - 2.1 Size Based on Estimated Assets;
  - 2.2 Business Registration;
  - 2.3 Type of Ownership;
  - 2.4 Nature of Operation; and
  - 2.5 Years of Operation
3. To identify the level of awareness of the respondents in Magna Carta for MSMEs, BMBEs Act and Go Negosyo Act.

- To identify if there is significant difference on the awareness of the enterprises in each municipality.

**Hypothesis**

**H<sub>0</sub>:** There is no significant difference on the awareness of the enterprises in each municipality

**II. RESEARCH METHODOLOGY**

The study used descriptive method of research conducted at municipalities of District IV of Nueva Ecija. The respondents of the study were the owners or managers of the enterprise totaling to 340 individuals/enterprises. Respondents were selected using quota sampling. Furthermore, the main instrument of the study is a structure questionnaire. To facilitate the analyzation of the data, the researcher used frequency distribution, weighted mean, and analysis of variance as the statistical tools.

**III. RESULTS AND DISCUSSION**

This section presents the data gathered by the researchers directly from the three hundred forty (340) respondents at the selected municipalities of District IV (Cabiao, San Isidro, San Antonio, Jaen) Nueva Ecija. Data were presented using pie graphs and tables, and further analyzed by the researchers for the better understanding of the readers.

**3.1. Profile of the Owners**

There are three variables included in the profile of the owners- gender, civil status, and educational attainment. Data gathered were presented below.

*Table 1: Profile of the Owners*

Profile	Frequency	Percentage
<i>Sex</i>		
Male	162	48%
Female	178	52%
Total	340	100%
<i>Civil Status</i>		
Single	143	42%
Married	174	51%
Widowed	23	7%

Total	340	100%
<i>Educational Attainment</i>		
Without Formal Education	2	1%
High School Graduate	75	22%
Vocational/Technical Course	15	4%
College Undergraduate	87	26%
College Graduate	153	45%
Master's Degree	7	2%
Doctorate Degree	1	0.29%
Total	340	100%

With the given data above, the study showed that 178 out of 340 respondents or 52% were female. Female usually family oriented, they run a business so that they can control their time to her family that employees don't. Meanwhile, 162 or 48% of the total respondents were male. Men are the bread winners so they tend to run a business.

As to the civil status of the owners, it is clearly stated that 174 out of 340 respondents or 51% were married. It only denotes that having a family is expensive that's why married couple start a business to provide the everyday necessity of their family as well as the education of their children. On the other hand, 143 out of 340 respondents or 42% were single. Singles tend to save money for their future. Meanwhile, only 23 out of 340 respondents or 7% were widowed. Since they are the only one that can provide financial assistance to their family.

Lastly, the study also determined the educational attainment of the owners. From the data given above, 153 out of 340 respondents or 45% were college graduates which means they have knowledge to run a business. Having knowledge means you have an ability on how to manage a business. Meanwhile, 87 out of 340 respondents or 26% were college undergraduate. College undergraduate still have a knowledge about business than high school graduates. Also, 75 out of 340 respondents or 22% were high school graduates. High school graduates start a business since they don't have diploma that they can use to find a stable job.

**3.2. Profile of the Enterprises**

Five variables included to describe the profile of the enterprises these are the Size Based on Estimated Assets, Business Registration, Type of Ownership, Nature of Operation, and Years of Operation

Table 2: Profile of the Enterprise

Profile of the Enterprise	Frequency	Percentage
<i>Size of the Enterprise based on Assets</i>		
Micro (Not more than Php 3,000,000)	234	69%
Small (Php 3,000,001 to Php 15,000,000)	75	22%
Medium (Php 15,000,001 to Php 100,000,000)	31	9%
Total	340	100%
<i>Business Registration</i>		
Department of Trade and Industry	186	27%
Securities and Exchange Commission	32	5%
Baranggay	204	29%
Municipal Permit	274	39%
Total	340	100%
<i>Type of Ownership</i>		
Sole Proprietorship	262	77%
Partnership	46	13.53%

Corporation	32	9.41%
Cooperatives	0	0%
Total	340	100%
<i>Nature of Operation</i>		
Service	205	60%
Merchandising	135	40%
Manufacturing	0	0
Total	340	100%
<i>Years of Operation</i>		
Less than 1 year	53	16%
1-3 Years	141	41%
4-6 Years	58	17%
7-9 years	45	13%
More than 9 years	43	13%
Total	340	100%

As to the profile of the enterprises, majority of the size based on the estimated asset is not more than P3,000,000, were registered on Municipal or Mayor’s permit and sole proprietorship. Also, the nature of operation were service ranging from 1 to 3 years of operation.

**3.3. Awareness of the Respondents in Magna Carta For Msmes, BMBEs Act and Go Negosyo Act**

There were 17 questions that will measure the awareness of the enterprises on important legislations for MSMEs. Specifically eight questions for Magna Carta for MSMEs, three questions for BMBEs Act, and five questions for Go Negosyo Act.

Table 3: Level of Awareness of the Respondents in Magna Carta for MSMEs

AWARENESS ON MAGNA CARTA FOR MSMES, BMBES ACT, AND GO NEGOSYO ACT	Weighted Mean	Verbal Interpretations
Are you aware that there is a Magna Carta for MSMEs (R.A.9501) that will provide assistance and programs for MSMEs?	2.52	Aware
Are you aware that if your business is having assets of; Not more than P 3,000,000 it is Micro Enterprise P 3,000,001 to P 15,000,000 it is Small Enterprise P 15,000,001 to P 100,000,000 it is Medium Enterprise	1.60	Highly Unaware
Are you aware that the only registered business will receive the assistance and programs of the government?	2.76	Aware

Are you aware that the business must be 100% owned by Filipino if the business is sole-proprietorship or partnership and 60% if it is corporation to receive the assistance and programs of government?	2.49	Unaware
Are you aware that to receive the benefits of the programs of the government the business must not be a branch, subsidiary or division of a large enterprise?	2.64	Aware
Are you aware that there is a Small Business (SB) Corporation that can provide loan assistance for eligible enterprises?	1.78	Unaware
Are you aware that there is a mandatory allocation of loans by banks and lending institutions for at least 10% for MSMEs of their total loan portfolio?	1.90	Unaware
Are you aware that all banks and lending institutions which will not provide loan assistance for MSMEs can have penalties of not less than P 500,000?	1.72	Highly Unaware
Are you aware that there is a "Barangay Micro Business Enterprises (BMBEs) Act of 2002?	2.62	Aware
Are you aware that only enterprises whose assets are not more than P 3,000,000 are qualified on Barangay Micro Business Enterprises (BMBEs) Act?	1.72	Unaware
Are you aware that the registration for Barangay Micro Business Enterprise is on the Municipal Treasury Office?	2.56	Aware
Are you aware that all registered Barangay Micro Business Enterprises are exempted from income tax for income arising from the operations of the enterprise?	2.66	Aware
Are you aware that all registered Barangay Micro Business Enterprises are exempted from the compliance of the Minimum Wage Law?	2.66	Aware
Are you aware that there is a "Go Negosyo Act", the Act seeks to strengthen micro, small and medium enterprises (MSMEs) to create more job opportunities in the country?	2.57	Aware
Are you aware that there are Negosyo Centers in some municipalities (Gapan, San Isidro, Cabanatuan, Sta. Rosa) in the provinces that can provide assistance for MSMEs?	2.88	Aware
Are you aware that the Negosyo Centers can provide training and technical assistance for the enterprises?	2.25	Unaware
Are you aware that you can register the name of your business in Negosyo Centers without going to provincial office of Department of Trade and Industry (DTI)?	2.56	Aware

The table 3 shows the level of awareness of the respondents on the salient features of the three laws. There were 17 questions referring to the salient features and out of the total number the result shows that the MSMEs are aware on the 10 salient features. The awareness on the existence of Negosyo Centers in given municipalities got the highest score of 2.88 from the respondents. This signifies that the Department of Trade and Industry, which is the primary agency responsible for Negosyo centers, has been effective in information dissemination regarding the operation of the centers.

It is followed by the awareness on the qualification of businesses to receive assistance and programs from the

government with weighted mean of 2.76. This implies that MSMEs are already aware also on the importance of business registration if they want to receive the programs from the government.

Furthermore, the results shows that respondents are aware that the registered barangay micro business enterprise are exempted to income tax and compliance to minimum wage law. Both got weighted mean of 2.66. They are also aware that branch, subsidiary company, or a division of a large enterprise are not qualified to received the benefits under RA 9501.

The respondents are also aware on the existence of the Magna Carta for MSMEs, BMBEs Act of 2002 and Go Negosyo Act with weighted mean of 2.52, 2.62 and 2.57, respectively. They are also aware that the registration for Barangay Micro Business Enterprise is on the Municipal Treasury Office. The respondents are also aware that they can register their business name in Negosyo Centers without going to provincial office of Department of Trade and Industry.

However, based on the result of the study there are important provisions that the respondents are not aware of. These are the following:

1. Provision on the business ownership to receive the assistance and programs of government.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2.071675	3	0.690558	32.15226	8.51E-13	2.748191
Within Groups	1.374576	64	0.021478			
Total	3.446251	67				

The p-value=8.51E-13 is less than the significance level=0.05. Therefore, reject the Null Hypothesis. There is a significant difference on the awareness of enterprises in four municipalities. This indicates that possible there is a difference in the effectiveness in the information dissemination of the LGU of each municipality about the Magna Carta for MSMEs, Go Negosyo, and BMBEs Act.

REFERENCES

[1] Acs, D Audretsch (1987) Innovation, market structure and firm size *Reviews of Economics and Statistics*, issue 69 Posted: 1987

[2] Agabin, M. (1988) A review of policies impinging on the informal credit markets in the Philippines

[3] Aldaba R. (2008) SMEs in the philippine manufacturing industry and globalization: Meeting the development challenges

[4] Anwar, AD, Enhancing the role of women in small and medium enterprises to eradicate poverty and hunger in Indonesia,

[5] Armington C, M Odle (2012) Small business: How many jobs *Brookings Review*

[6] Chua, Ronald (2010) Learning material on micro-enterprise development. A learning material developed for the utilization-

2. Existence of Small Business (SB) Corporation that can provide loan assistance for eligible enterprises.
3. Mandatory allocation of loans by banks and lending institutions for at least 10% for MSMEs of their total loan portfolio.
4. Only enterprises whose assets are not more than P 3,000,000 are qualified on Barangay Micro Business Enterprises (BMBEs) Act.
5. Negosyo Centers can provide training and technical assistance for the enterprises.

Lastly, the respondents are highly unaware on the classification of enterprises based on assets defined by Magna Carta for MSMEs with a weighted mean of 1.60.

3.4. Significant Difference on the Awareness of the Enterprises in Each Municipality

workshop on enhancing capabilities of provinces for effective planning

[7] DTI Webfiles, (2012) Retrieved from: <https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing%20a%20Business/2016%20Guide%20to%20RA%209178%20BMBEs%20Act%20of%202002.pdf>

[8] DTI Webfiles, (2009) Retrieved from: [https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing a Business/2016 Guide to RA 9178 BMBEs Act of 2002.pdf](https://dtiwebfiles.s3-ap-southeast-1.amazonaws.com/e-library/Growing%20a%20Business/2016%20Guide%20to%20RA%209178%20BMBEs%20Act%20of%202002.pdf)

[9] Entrep.ph (2018) Retrieved from: <https://entrep.ph/wp-content/uploads/2018/06/DAO17-03.pdf>

[10] European Commission (20 May 2003). "Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises". *Official Journal of the European Union*. L124: 36-41. 2003/361/EC. Retrieved 11 September 2017.

[11] Philippine Cities Competitive Ranking Project AIM Hills Program on Governance

[12] PIDS (2008) Discussion Paper Series, issue 15

[13] Senate (2009) Retrieved from: [https://www.senate.gov.ph/publications/AG\\_2012-03\\_MSME.pdf](https://www.senate.gov.ph/publications/AG_2012-03_MSME.pdf)