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DETERMINANTS OF GROWTH PERFORMANCE AND CHALLENGES OF MICRO, SMALL, AND MEDIUM ENTERPRISES IN ROXAS, ISABELA

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Abstract

This study investigated the growth performance and challenges of Micro, Small, and Medium Enterprises (MSMEs) in Roxas, Isabela, using a descriptive approach with 311 registered MSMEs as respondents. The study found that while high interest rates and collateral limitations posed significant challenges, respondents did not perceive access to affordable financing, financial resource constraints, or complex loan application processes as significant obstacles. Despite these challenges, respondents acknowledged the importance of various financial factors, such as flexible credit terms, cost of credit, and awareness of funding opportunities, in influencing MSME growth performance.

Furthermore, the study revealed that management team qualifications and average monthly net turnover significantly impacted growth perception, while years of operation, number of employees, and total value assets did not. Issues and problems faced by MSMEs negatively impacted growth performance. The study recommends that financial institutions collaborate to lower interest rates and simplify loan processes. The government should promote financial literacy, collaborate with MSME groups, and offer workshops for MSME owners. MSME owners are urged to seek more government support, adopt positive business practices, and explore new funding sources to adopt innovation and growth.

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INTRODUCTION

Most economies rely heavily on Micro and Small Enterprises (MSEs). The growth of the small and medium-sized enterprises (SMEs) industry is of interest to all countries worldwide because it significantly contributes to economic activity, job creation, and national development in any economy worldwide. The banking sector, in particular, is widely acknowledged as an essential conduit for financial intermediation in the economy. Access to credit boosts a company's productive capacity. This is why businesses and enterprises with adequate financial access have more significant growth potential. Micro and small enterprises (MSEs) require financing to start, develop, diversify, and operate their businesses. Finance has been identified as one of the biggest problems faced by small and medium-sized enterprises (SMEs) in most developing economies (Amatazun & Motezu, 2022)

Ariguzo et al. (2019) have argued that the rise of SMEs' business performance has remained a universal quandary that has sparked much debate among practitioners, researchers, and policymakers. According to Kamrul (2019), for any economy to achieve sound and more significant economic activities, continuous SME growth is the answer and barometer for achieving economic income generation and growth.

The growth rate performance of SME output is a key driver and indicator for the level of industrialization, modernization, urbanization, job creation, income per capita, equitable income distribution, and citizenry standard of living (Abiodun, 2014; Aremu & Adeyemi, 2011). This is where the significance of MSMEs is considered on a broader scale. A thriving MSME sector thus indicates a thriving and growing economy. However, SMEs have encountered problems and issues all over the world. According to the World Bank report (2018), SME performance has deteriorated in developed-country economies such as Japan, the United States, China, and Russia. As cited by Gumel (2017), small and medium-sized businesses face numerous challenges that lead to failure.

According to legacy.senate.gov.ph, the issue of declining SME growth has been a global trend, and the Philippines is no exception, necessitating adequate business credit availability. MSMEs play critical roles in the development of the Philippine economy. They reduce poverty by creating jobs for the country's growing labor force. They promote economic development in rural and remote areas. As suppliers and providers of support services, they are valuable partners to large enterprises. They act as a nursery for both new entrepreneurs and large corporations. Despite policies aimed at creating an enabling environment for MSME development, the sector continues to face several challenges that prevent it from reaching its total growth and potential.

The constraints that MSMEs in the country often face can generally be categorized as (1) non-financial barriers (cost of getting electricity, heavy regulation, high tax rates, and corruption) and (2) financial barriers (access to finance). Based on the World Bank's indicators on the ease of doing business, the Philippines lags behind its neighboring countries in reducing the number of start-up procedures, cost to start a business (measured in terms of percent of gross national income per capita or GNI pc), and number of tax payments per year. These non-financial barriers to MSME development translate to a high cost of doing business or a poor business environment and discourage the formation of new MSMEs or the entry of existing MSMEs into larger markets, among others. Other countries with lower business costs have been observed to have larger MSME sectors. Despite the problems or decline in the growth of MSMEs, the UN Department of Social and

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Economic Affairs reports that Micro – Small and Medium-sized Enterprises (MSMEs) have their role in achieving the Sustainable Development Goals. One focused goal related to MSME is SGD 8, discussing the promotion of sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. They cover a range of areas, including accelerating national economic growth, promoting decent work, entrepreneurship, financial inclusion, and global cooperation initiatives such as Aid for Trade and global strategy on youth employment. Accordingly, MSMEs are helping attain this goal as they contribute to GDP and economic growth, create jobs, and have the potential to promote decent work and entrepreneurship. Individual MSMEs have the potential to adopt actions in their business practices to contribute to the goal (UNDESA, n.d).

The current MSME sector context is causing a series of transformations in various spheres of economic life. The government has been implementing various programs to help the sector above. However, literature and studies indicate that financial barriers such as credit viability affect the growth of businesses in the MSME sector. As a result, this study investigated the growth performance and challenges faced by Micro, Small, and Medium Enterprises (MSMEs) in Roxas, Isabela. The research aimed to profile the businesses based on organizational type, kind, years of operation, employee count, management team qualifications, average monthly net turnover, and total asset value. Furthermore, the study explored the types of business credit available to MSMEs in the area, assessed their growth performance as perceived by respondents concerning access to finance, and identified the issues and problems encountered by these businesses. A key objective was to analyze the differences in growth performance among MSMEs based on their profiles, and to determine the relationship between challenges in securing business credit and overall growth performance. Finally, the study proposed a plan of action to enhance business credit availability for MSMEs in Roxas, Isabela, based on the research findings.

METHODOLOGY

This study used a quantitative-descriptive research design. This method was used to attain the purpose and objective of the study which is to generally look on the business credit availability and growth of Micro, Small and Medium Enterprises (MSMEs) in Roxas, Isabela. The respondents of the study had consisted of the entrepreneurs of Roxas, Isabela particularly the micro, small, and medium entrepreneurs of Barangay Rizal, Bantug, Vira, San Rafael, San Antonio, Sotero Nuesa, and Rang-ayan. The entrepreneurs were purposively chosen from the seven (7) barangays from different categories who have been availing credit services of different lending institutions for at least 3 to 5 years. Meanwhile, the 316 number of respondents was determined through simple random sampling at 95% level of confidence and 5% margin of error.

Survey questionnaires were used to gather information needed in this study. It was consisted of three (3) parts namely business profile, business credit availability, and the questionnaire proper which is consisted of subparts namely the financing issues or problems of the organizations that they are facing resulting to the future of the business, and their growth performance. The issues or challenges for the access of credit availability was based from the study of Ademoso (2022), while for the growth performance of MSME, the questionnaire was adopted from Mandane (2020) on her study titled, "Entrepreneurial Characteristics on the Growth of Micro, Small and Medium Enterprises". A five-point Likert scale was used in

determining the issues and problems encountered by MSMEs owners in securing business credits.

Before the conduct of the study, a letter to the office of the head of Department of Trade and Industry (DTI) was also given an approval letter for the conduct of the study among the chosen MSMEs in the municipality. The researcher conducted a face-to-face interaction with MSME owners. All parts of the questionnaire were answered through pencil-and-paper. Following ethical considerations, the researchers communicated the objective, mechanics, and procedure of the research to the participants.

The data collected were analyzed using the statistical Package for Social Sciences (SPSS). Descriptive statistics such as frequency counts and percentage were used to describe the profile of the businesses including the frequency of availability of credits once applied. On the other hand, mean was used in determining the challenges faced by business owners in securing business credit, key factors inhibiting MSMEs access to financing, and the effects of business credit availability to MSMEs in Roxas, Isabela and their respective growth performance. Meanwhile, Independent-samples t-test was used to evaluate whether significant difference exists between growth performance of the MSMEs when grouped according to the type of organization profile, and Analysis of Variance (ANOVA) when grouped according to other business profiles. Lastly, Pearson-r correlation coefficient was used in determining the relationship between issues and problems encountered by MSMEs and their growth performance.

RESULTS AND DISCUSSION

Profile of the Respondents

Table 1 revealed that most of the respondents are sole proprietors, covering 303 or 97.40% of the total samples, while 8 or 2.60 are on the other nature of the business organization. This shows that MSMEs are dominated by sole proprietors.

Regarding the kind of organization, 209, or 67.20 percent, is under retail trading; 94, or 30.20 percent, is for services; 7, or 32.30 percent, is for manufacturing; and 1, or 0.30 percent, is for export. The distribution of the kind of organization these business are involved is parallel to the DTI MSME Statistics (2023) report where included in the top five (5) industry sectors according to the number of MSMEs in 2022 were Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (546,863); Accommodation and Food Service Activities (158,113); Manufacturing (133,504); Other Service Activities (71,145); and (5) Financial and Insurance Activities (50,782). These industries accounted for about 86.90% of the total number of MSME establishments.

For their years of operation, 153 or 49.20 percent of the respondents have operated their business for over 15 years, while 68 businesses, or 21.90 percent, have been in the business between 6-10 years and 11- 15 years. Lastly, 22 or 7.10 percent are newly established businesses with 1-5 years of operation. This shows that MSMEs in the locality have already grown over the past years.

For the number of employees of each business, most of them have 1-5 employees, where 265, or 85.20 percent, are operating with this human resources, 23 or 7.40 percent of the, as 6- 10 employees, 14 for 20-25 employees, 5 or 1.60 percent for 11-15, and 4 or 1.20 percent for 16- 20 employees. According to OECD (2023), enterprises are classified

according to their size by number of people employed: 1 to 9 persons employed (micro-enterprises), 10 to 19 and 20 to 49 (small enterprises), 50 to 249 (medium-sized enterprises), and 250 or more persons employed (large enterprises). Thus, the respondents' businesses are classified as micro or small enterprises.

Table 1

Distribution of Respondents according to the Profile

Profile	Frequency (n=311)	Percent (100.0)
Nature of Organization		
Sole Proprietor	303	97.40
Others	8	2.60
Kind of Organization		
Retail Trading	209	67.20
Export	1	0.30
Manufacturing	7	2.30
Services	94	30.20
Years of Operation		
Between 1 and 5 years	22	7.10
Between 6 and 10 years	68	21.90
Between 11 and 15 years	68	21.90
Over 15 years	153	49.20
Number of Employees		
1-5	265	85.20
6-10	23	7.40
11-15	5	1.60
16-20	4	1.20
20-25	14	4.50
Qualification of the Management Team		
High School Level	149	47.90
Senior High School Graduate	120	38.60
College Level/Undergraduate	9	2.90
College Graduate	32	10.30
Others	1	0.30
Average Monthly Net Turnover of the Business		
Less than 30,000.00	59	19.00
30,000.00 to 50,000.00	92	29.60
50,001.00 to 150,000.00	107	34.40
150,001.00 to 300,000.00	42	13.50
300,001.00 to 500,000.00	11	3.50
Total Value of Assets		
Below 3,000,000.00	301	96.80
3,000,000.00 to 15,000,000.00	7	2.30
15,000,000.00 to 100,000,000.00	3	1.00

In terms of the qualifications of the management team, 149, or 47.90 percent, are at the high school level of education, while 120, or 38.60 percent, are senior high school graduates. On the other hand, 32 or 10.30 percent were college graduates while 9, or 2.90, were college undergraduates, and 1, or 0.30, is not on the levels aforementioned. This implies that MSMEs in the area are not so particular about educational qualification to be

regarded in the management team. As such, it can be gleaned that the ability to read and write is the prior qualification to be included.

For the average monthly net turnover of the business, 107, or 34.40 percent, have a net turnover of 50,001 to 150,000 pesos, while 93, or 29.60 percent of them, have around 30,000 to 50,000 pesos. In addition, 59, or 19.00 percent, has less than 30,000 pesos net turnover. 42 or 13.50 percent of them have 150,001 to 300,000 pesos, and 11 or 3.50 percent have 300,001 to 500,000 pesos monthly income. This finding is in relation to the nature of business they had as most of the MSMEs are sole proprietors.

Lastly, regarding the total value of assets, 301 or 96.80 percent have below 3,000,000 pesos, 7 or 2.30 percent have around 3,000,000 to 15,000,000 pesos, and three or one percent have 15,000,000 to 100,000,000. With this, majority of the business in the locality are on the small-scale.

Type of Business Credits available to MSMEs in Roxas, Isabela

Table 2 illustrates the business credits available to MSMEs in Roxas, Isabela. The majority of businesses, 224 or 72.00 percent, are applying for loans through the bank. This has been followed by 150 or 48.20 percent of businesses opt for business crediting from family/friends. Additionally, 112 or 36.00 percent operate their businesses through Small Business Loans (Microfinancing), while 31 or 10 percent utilize RISE UP Multi-Purpose Loan and I-RISE, with 30 or 9.60 percent having applied. These initiatives are projects of the Provincial Government of Isabela.

Furthermore, 24 or 7.70 percent of businesses are financed through the Livelihood Seeding Program-Serbisyo sa Barangay (LSP-NSB). Additionally, 23 or 7.40 percent use P3 or Pondo sa Pagbabago at Pag Asenso, and 22 or 7.10 percent have business credits under Pangkabuhayan sa Pagbangon at Ginhawa (PPG).

Table 2. Type of Business Credits available to MSMEs in Roxas, Isabela

Type of Business Credits	Frequency	Percent
Family/Friends	150	48.20
Pondo sa Pagbabago at Pag Asenso (P3)	23	7.40
RISE UP Multi – Purpose Loan	31	10.00
Bank Loans	224	72.00
Small Business Loans (Micro-Financing)	112	36.00
Livelihood Seeding Program – Serbisyo sa Barangay (LSP-NSB)	24	7.70
Pangkabuhayan sa Pagbangon at Ginhawa (PPG)	22	7.10
Isabela Recovery Initiatives to Support Enterprise – I RISE Program	30	9.60

Khor et al. (2015) highlight that firms' need for additional capital is typically addressed by various sources, including banks, bonds market, equities market, nonbank lending

institutions like quasi banks and investment houses, pawnshops, financing cooperatives, savings and loans associations, insurance companies, venture capitalists, and specialized government lending corporations. Informal sector players, such as family members, friends, and unaccredited retail lenders, also address this capital need.

However, this is contrary to the findings of the study of Nandini and Shubhar (2021) where MSME financing gap is a scenario where an enterprise is unable to borrow finance for its growth due to the reluctance of banks and financial intermediaries to provide credit to this sector. They expect credit for development, restructuring, diversification, long-term survival and working capital. They are completely different in their structure and function than large companies. Banks see MSMEs as problematic borrowers and thus typically refrain from lending SMEs with long-term funds. This disparity is defined as the funding gap between the amount of the loan needed and the amount of loan received. To close this funding gap, MSMEs are dependent on informal sources of finance. Informal loans are provided at high-interest rates that are exploitable. This funding gap has a detrimental effect on their output because it reduces their production capacity, profitability and opportunities for future growth.

Growth Performance of MSMEs in Roxas, Isabela

Table 3 shows the growth performance of MSMEs in Roxas, Isabela as perceived by the respondents.

It can be gleaned from the table that there is unanimous agreement on all the factors. They all agree that the growth of their businesses' sales turnover has been influenced by the flexible credit terms provided by financial institutions. Additionally, the high cost of credit from financial institutions has impacted the growth of their businesses' profit margin. Furthermore, the credit history for long-term credit from financial institutions has played a role in the growth of asset value in their businesses.

Respondents also agree that the presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in their businesses. Moreover, the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in their businesses. They also concur that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in their businesses. Lastly, being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in their businesses. These findings are supported by means ranging from 4.02 to 4.21.

Table 3. Growth Performance of the MSME in Roxas, Isabela as perceived by the Respondents

Growth Performance	Mean	Descriptive Equivalent
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	4.21	Agree
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.16	Agree
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	4.10	Agree
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	4.02	Agree
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	4.02	Agree
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my	4.06	Agree
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	4.04	Agree

Legend: 3.50-4.49 = Agree

The result deviates from the findings of Bautista and Manzano (2018) where they found that only six in every ten exporting Philippine MSMEs survive after their first year of operation. This figure drops to less than four in every ten by the end of their fourth year. Moreover, Mendoza (2015) focused on analyzing the financial performance of selected micro, small, and medium enterprises (MSMEs) by examining three years' worth of secondary data from financial statements. The findings revealed favorable performance in liquidity, activity, and leverage, but highlighted a challenge in achieving high profitability. Correlation analysis indicated significant linear relationships between liquidity and activity, liquidity and leverage, and activity and leverage. However, no significant relationships were observed between these measures and profitability. The study recommends that MSMEs reassess their strategies to enhance profitability and utilize financial performance information for crucial decision-making. It emphasizes the importance of connecting financial performance to the broader external business environment, emphasizing the role MSMEs play in contributing to the overall economic growth.

Difference in the Growth Performance of the MSMEs when Grouped According to their Profile

Table 4 shows the difference on the perceived growth performance of the MSMEs by the respondents when they are grouped according to the nature of organization.

It can be gleaned that other types of organizations compared to sole proprietors have a higher mean rating as how they perceived the growth performance of MSMEs. This has been shown by the means ranging from 4.75 to 5.00 which suggest a strong agreement among them, while sole proprietors have mean ratings ranging from 4.00 to 4.19 suggesting agreement among them.

With this, the t-values ranging from 3.41 to 14.26 with p-values of 0.001 to 0.007 indicates that there is a significant difference between the perception of the two groups. This means that the null hypothesis has been rejected. Furthermore, their perception differs in terms of the impact on their business's growth. They significantly differ in the belief that the flexible credit terms provided by financial institutions have influenced the growth of their sales turnover. They also have different acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin.

Table 4. Difference in the Growth Performance of the MSMEs when Grouped According to their Nature of Organization

Indicators	Sole Proprietor		Others		t-value	p-value
	Mean	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	4.19	A	4.87	SA	4.86*	.001
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.15	A	4.75	SA	3.41*	.007
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	4.08	A	4.87	SA	5.55*	.001
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	4.00	A	4.87	SA	6.06*	.001
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	4.00	A	5.00	SA	14.26*	.001
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my	4.04	A	4.87	SA	5.93*	.001
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	4.02	A	4.75	SA	4.11*	.003

Legend: 3.50-4.49 = Agree(A); 4.50-5.00 = Strongly Agree (SA); * = significant at 0.05 level

Additionally, they significantly differ on the recognition that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value. Moreover, they attribute the growth of asset value in their business to the presence of sufficient collateral for long-term credit from financial institutions. They also acknowledge differently that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin. Furthermore, they believe that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover. Lastly, they significantly acknowledge differently that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business.

The finding of the study contradicts the result of the study conducted by McMahon (2007) where after analyzing the financial performance of MSMEs, it has been found that single proprietorships have significantly higher receivable turnovers compared to corporations, while small enterprises have significantly higher asset turnover compared to both micro and medium enterprises.

Table 5 shows the difference in the growth performance of the MSMEs when group according to their kind of organization.

The table shows that the entrepreneurs involved in export trading and manufacturing strongly agree on the growth performance of their businesses as shown by the means ranging from 4.71 to 5.00, while those involved in the retail trading and services have shown a lower mean ratings (3.73 to 4.30) leading to their agreement on the growth performance of their businesses.

Table 5. Difference in the Growth Performance of the MSMEs when Grouped According to their Kind of Organization

Indicators	Retail		Export		Manufacturing		Services		F-value	p-value
	Mean	DE	Mean	DE	Mean	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	4.30	A	5.00	SA	5.00	SA	3.94	A	4.10*	.007
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.27	A	5.00	SA	5.00	SA	3.86	A	4.80*	.003
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	4.21	A	5.00	SA	4.85	SA	3.81	A	3.78*	.011
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	4.13	A	5.00	SA	4.71	SA	3.73	A	3.39*	.018
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	4.11	A	5.00	SA	4.85	SA	3.75	A	3.37*	.019
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	4.16	A	5.00	SA	4.71	SA	3.78	A	3.64*	.013
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	4.11	A	5.00	SA	4.57	SA	3.86	A	1.97 ^{ns}	.118

Legend: 3.50-4.49 = Agree(A); 4.50-5.00 = Strongly Agree (SA); * = significant; ns = not significant at 0.05 level

With this, the F-values ranging from 3.37 to 4.80 and p-values below 0.05 indicates the rejection of the null hypothesis, which means that, there is a significant difference on the perceived growth performance of MSMEs when grouped according to their kind of organization. This means that they significantly differ on the belief that the flexible credit terms provided by financial institutions have influenced the growth of their sales turnover, that the high cost of credit from financial institutions has impacted the growth of their

business's profit margin, and that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value. Moreover, they significantly differ on the attribute of growth of asset value in their business to the presence of sufficient collateral for long-term credit from financial institutions, that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover. Meanwhile, there is no significant difference on their acknowledgement that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business as shown by the F-value of 1.97 and p-value of 0.118 ($p > 0.05$).

Table 6 shows the difference in the growth performance of the MSMEs when grouped according to their years of operation.

It can be gleaned from the table that there is a general agreement among the respondents regardless of years of operation on the perceived growth performance of their businesses. This has been shown by the means ranging from 3.54 to 3.77 for 1-5 years of operation, 3.94 to 4.16 for 6-10 years of operation, 4.14 to 4.42 for 11-15 years of operation, and 3.98 to 4.17 for over 15 years.

Table 6. Difference in the Growth Performance of the MSMEs when Grouped According to their Years of Operation

Indicators	1-5		6-10		11-15	Over 15 years		F-value	p-value
	Mean	DE	Mean	DE	Mean	DE	Mean	DE	
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	3.54	A	4.30	A	4.42	A	4.17	A	4.196* .006
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	3.77	A	4.10	A	4.38	A	4.15	A	1.929ns .125
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	3.72	A	4.01	A	4.35	A	4.09	A	1.983ns .116
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	3.40	N	4.00	A	4.27	A	4.01	A	2.935* .034
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	3.54	A	3.94	A	4.22	A	4.05	A	1.890ns .131
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	3.68	A	3.98	A	4.33	A	4.03	A	2.449ns .064
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	3.86	A	4.16	A	4.14	A	3.98	A	.848ns .468

Legend: 2.50-3.49 = Neutral (N); 3.50-4.49 = Agree(A); * = significant; ns = not significant at 0.05 level

With this, the finding has shown that there is a significant difference on the perception of the respondents that the growth of their business sales turnover has been influenced by the

flexible credit terms provided by financial institutions, and that the presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value on their businesses. These have been proven by the F-values of 4.196 and 2.935 with p-values of 0.006 and 0.034 ($p < 0.05$), respectively. This indicates that the respondents perceive a link between flexible credit terms and business sales growth, and between collateral and asset growth. Further, the data suggests that businesses in longer years of operation attest that they are experiencing growth in sales turnover and are more likely to have benefited from flexible credit terms, and businesses with increased asset value are more likely to have secured long-term credit with sufficient collateral.

Meanwhile, F-values of 0.85 to 2.45 and p-values greater than 0.05 indicates that the null hypothesis has been accepted. This means that there is no significant difference on the perceived growth of the MSMEs by the respondents when they are grouped according to their years of operation.

Specifically, it shows that they do not differ on the acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin., that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value, that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover, and lastly, they that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business.

Hamzani and Achmad (2016) conclude that the performance of Micro, Small, and Medium Enterprises (MSMEs) can be significantly impacted by the duration of their operation. A study conducted on MSMEs in Ethiopia revealed that only 1% of these enterprises operate for less than three years, while a substantial 93% have been in operation for a period ranging from three to twenty years. This indicates that MSMEs with a longer operational history tend to exhibit better growth performance, likely due to their well-established networks and market presence.

Table 7 shows the difference in the growth performance of the MSMEs when grouped according to their number of employees.

It can be surmised that businesses with 1-6, 6-10 and 16-20 employees have shown agreement regarding the growth performance of the MSMEs as shown by the means ranging from 3.08 to 4.40. On the other hand, businesses with 11-15 and 21-25 employees have its perception from agree to strongly agree with means ranging from 3.85 to 5.00.

Despite the range of agreement of the group of respondents as to number of employees, no significant difference has been established. This means that the growth performances of the businesses are comparable regardless of employees. This has been shown by the F-values of 0.06 to 1.64 with p-values greater than 0.05. This led to the acceptance of the null hypothesis indicating that there is no significant difference in the growth performance of the MSMEs when grouped according to their number of employees.

Specifically, it shows that there is no significant difference on the acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin., that the credit history for long-term credit from financial institutions has

played a role in the growth of their asset value, that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover, and lastly, they that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business. Moreover, there is no significant difference on the perception that the growth of their business sales turnover has been influenced by the flexible credit terms provided by financial institutions, and that the presence of sufficient collateral for long -term credit from financial institutions has contributed to the growth of asset value on their businesses.

Table 7. Difference in the Growth Performance of the MSMEs when Grouped According to their Number of Employees

INDICATORS	1-5		6-10		11-15		16-20		21-25		F-value	p-value
	Mean	DE	Mean	DE	Mean	DE	Mean	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	4.20	A	4.04	A	4.40	A	4.00	A	4.71	SA	1.01 ^{ns}	.401
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.15	A	4.00	A	4.60	SA	3.75	A	4.64	SA	1.15 ^{ns}	.335
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	4.08	A	3.91	A	5.00	SA	4.00	A	4.57	SA	1.51 ^{ns}	.199
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	4.02	A	4.08	A	4.60	SA	4.00	A	3.85	A	.36 ^{ns}	.839
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	4.02	A	4.08	A	4.20	A	4.00	A	3.92	A	.06 ^{ns}	.993
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	4.03	A	3.95	A	4.20	A	4.00	A	4.78	A	1.62 ^{ns}	.168
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	4.00	A	4.08	A	4.40	A	3.75	A	4.71	A	1.64 ^{ns}	.163

Legend: 3.50-4.49 = Agree(A); 4.50-5.00 = Strongly Agree (SA); ns = not significant at 0.05 level

In the study conducted by Abidin et al. (2024), Micro, Small, and Medium Enterprises (MSMEs) are important sectors that support the national economy. They have analyzed the impact of age, sales revenue, and number of employees on the business performance of MSMEs in South Sulawesi Province, Indonesia. The results of the study indicate that the age of the enterprise and the number of employees have a positive but not significant impact on the business performance of MSMEs in South Sulawesi Province, while sales revenue has

a positive and significant impact. The age of the enterprise, sales revenue, and number of employees collectively have a significant impact on business performance, with a coefficient of determination (R^2) of 42.6%.

Table 8 shows the difference in the growth performance of the MSMEs when grouped according to their qualification of the management team.

Accordingly, the management teams with high school level and senior high school graduate qualification have shown a lower mean rating of perception on the perceived growth performance of MSMEs as manifested on the means ranging from 3.77 to 4.02 and 4.08 to 4.31, respectively. Meanwhile, businesses with college level undergraduate and graduate qualifications tend to have a higher mean rating as shown by the means ranging from 4.44 to 4.81 suggesting an agree to strongly agree perceptions. Lastly, businesses with management teams having other qualifications tend to have a disagreement on the indicators of growth performance of MSMEs.

These findings have shown a diverse perception on the growth performance of MSMEs leading to the rejection of null hypothesis and emphasizing that there is a significant difference on the growth performance of the MSMEs when grouped according to their qualification of the management team. This has been proven by the F-values of 5.44 to 8.87 and p-values of 0.001 all throughout the indicators.

Specifically, it shows that they significantly differ on the acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin., that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value, that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover, and lastly, they that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business. Moreover, they significantly differ on the perception that the growth of their business sales turnover has been influenced by the flexible credit terms provided by financial institutions, and that the presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value on their businesses.

The result of the study is parallel to the findings of Abidin et al. (2023) where it was found that higher educational qualifications among management team members are associated with better business performance, particularly in terms of sales volume and employee numbers.

Moreover, the OECD-ILO report highlights the importance of educational qualification in enhancing MSME productivity. The report emphasizes the need for policies that address the unique challenges faced by MSMEs in different sectors and regions. It notes that educational qualification is a key factor in determining MSME productivity, particularly in terms of management and workforce skill. A study on the determinants of MSSE growth in Dessie Town, Ethiopia, identified educational qualification as a significant factor influencing MSSE growth. The study found that higher educational qualifications among management team members are associated with higher MSSE growth rates (MSME productivity, inclusive growth and decent work, 2022).

Table 8. Difference in the Growth Performance of the MSMEs when Grouped According to their Qualification of the Management Team

Indicator	High School Level		Senior High School Graduate		College Level Undergraduate		College Graduate		Others		F-value	p-value
	Mean	DE	Mean	DE	Mean	DE	Mean	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	3.97	A	4.31	A	4.44	A	4.87	SA	4.00	A	5.64*	.001
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.02	A	4.15	A	4.77	SA	4.81	SA	2.00	D	5.44*	.001
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	3.89	A	4.15	A	4.77	SA	4.81	SA	2.00	D	6.31*	.001
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	3.80	A	4.08	A	4.44	A	4.81	SA	2.00	D	5.95*	.001
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	3.79	A	4.10	A	4.66	SA	4.75	SA	2.00	D	6.06*	.001
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	3.77	A	4.19	A	4.66	SA	4.81	SA	2.00	D	8.87*	.001
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	3.80	A	4.13	A	4.55	SA	4.78	SA	2.00	D	7.71*	.001

Legend: 1.50-2.49 = Disagree (D); 3.50-4.49 = Agree (A); 4.50-5.00 = Strongly Agree (SA); * = significant at 0.05 level

Table 9 shows the difference in the growth performance of the MSMEs when grouped according to their average monthly net turnover of the business.

Result show that there is a diverse perceived growth performance as to their average monthly turnover of net income where businesses with less than 30,000 pesos turnover have a neutral perception on the growth of their business, as indicated by the means of 2.52 to 3.06. Compared to an agreement among respondents with 30,00 to 50,000 net turnovers as shown by the means ranging from 3.91 to 4.07, and strong agreement among businesses with monthly net turnover of 50,001 pesos to 500, 000 pesos as shown by the means ranging from 4.52 to 5.00.

With this, the F-values computed from 37.68 to 52.90 and p-values of 0.001 throughout indicate the rejection of the null hypothesis. This means that the perceived growth performance significantly differ as they are grouped according to their average monthly net turnover of sales.

Therefore, it shows that they significantly differ on the acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin., that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value, that the availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover, they that being aware of funding opportunities for long- term credit offered by financial institutions has played a role in the growth of their asset value in their business, that the growth of their business sales turnover has been influenced by the flexible credit terms provided by financial institutions, and that the presence of sufficient collateral for long -term credit from financial institutions has contributed to the growth of asset value on their businesses.

Table 9. Difference in the Growth Performance of the MSMEs when Grouped According to their Average Monthly Net Turnover of the Business

Indicators	Less than 30,000		30,000- 50,000		50,001- 150,000		150,001- 300,000		300,001- 500,000		F- value	p- value
	Mean	DE	Mean	DE	Mean	DE	Mean	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	3.06	N	4.07	A	4.66	SA	4.80	SA	4.90	SA	40.73*	.001
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	3.06	N	4.05	A	4.57	SA	4.73	SA	4.81	SA	31.80*	.001
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	2.76	N	4.04	A	4.54	SA	4.83	SA	4.90	SA	46.43*	.001
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	2.52	N	4.00	A	4.52	SA	4.76	SA	4.72	SA	52.90*	.001
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	2.64	N	3.94	A	4.51	SA	4.73	SA	4.72	SA	43.75*	.001
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	2.86	N	3.91	A	4.54	SA	4.61	SA	5.00	SA	41.56*	.001
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	2.89	N	3.92	A	4.47	A	4.66	SA	4.72	SA	37.68*	.001

Legend: 2.50-3.49 = Neutral (N); 3.50-4.49 = Agree(A); 4.50-5.00 = Strongly Agree (SA); * = significant at 0.05 level

The results also adhere to the findings of Abidin et al. (2023) where MSMEs in South Sulawesi, Indonesia found that sales volume, a proxy for turnover, has a positive and significant effect on MSME business performance. Higher sales volume is associated with better business performance. Additionally, the World Bank's MSME Economic Indicators report emphasizes

that increased sales volume is the most relevant metric for describing the effect of internal and external variables on fundamental MSME competitiveness. This correlation emphasizes the significance of sales volume as a key metric in defining the competitiveness of MSMEs, as highlighted in the World Bank's MSME Economic Indicators report.

Table 10 shows the difference in the growth performance of the MSMEs when grouped according to their total value assets.

It can be gleaned that each group of respondents have a common level of agreement on all aspects or indicators of growth performance such that there is an agreement among respondents with below 3,000,000 of assets with means of 4.01 to 4.20, strong agreement for respondents with 3,000,000 to 15,000,000 having the mean of 4.71 to 5.00, and neutral perception for respondents with a total value assets of 15,000,000 to 150,000,000 having a mean of 3.00 to 3.33. Moreover, the table shows that no significant difference has been established on the perceived growth performance of MSMEs when grouped according to their total value assets as shown by the F-value of 1.76 to 2.89 and p-values greater than 0.05. Thus, leading to the acceptance of the null hypothesis.

Table 10. Difference in the Growth Performance of the MSMEs when Grouped According to their Total Value Assets

Indicators	Below 3,000,000		3,000,000- 15,000,000		15,000,000- 100,000,000		F- value	p- value
	Mean	DE	Mea	DE	Mean	DE		
1. The growth of my business's sales turnover has been influenced by the flexible credit terms provided by financial institutions.	4.20	A	4.85	SA	3.33	N	2.35 ^{ns}	.098
2. The high cost of credit from financial institutions has impacted the growth of my business's profit margin.	4.16	A	4.71	SA	3.33	N	1.76 ^{ns}	.174
3. The credit history for long-term credit from financial institutions has played a role in the growth of asset value in my business.	4.10	A	4.85	SA	3.00	N	2.89 ^{ns}	.057
4. The presence of sufficient collateral for long-term credit from financial institutions has contributed to the growth of asset value in my business.	4.01	A	4.85	SA	3.33	N	2.14 ^{ns}	.119
5. The availability of audited financial statements for long-term credit from financial institutions has had an impact on the growth of profit margin in my business.	4.01	A	5.00	SA	3.33	N	2.80 ^{ns}	.062
6. The ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of sales turnover in my business.	4.05	A	4.85	SA	3.33	N	2.48 ^{ns}	.085
7. Being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of asset value in my business.	4.03	A	4.85	SA	3.33	N	2.65 ^{ns}	.072

Legend: 2.50-3.49 = Neutral (N); 3.50-4.49 = Agree(A); 4.50-5.00 = Strongly Agree (SA); ns = not significant at 0.05 level

Specifically, it shows that they do not differ on the acknowledgement that the high cost of credit from financial institutions has impacted the growth of their business's profit margin., that the credit history for long-term credit from financial institutions has played a role in the growth of their asset value, that the availability of audited financial statements for long-

term credit from financial institutions have had an impact on the growth of their profit margin, that the ability to access long-term credit with affordable interest rates from financial institutions has influenced the growth of their sales turnover, and lastly, they that being aware of funding opportunities for long-term credit offered by financial institutions has played a role in the growth of their asset value in their business,

Moreover, they do not differ on the perception that the growth of their business sales turnover has been influenced by the flexible credit terms provided by financial institutions, and that the presence of sufficient collateral for long -term credit from financial institutions has contributed to the growth of asset value on their businesses.

A parallel result has been shown in the a study on MSMEs in South Sulawesi, Indonesia that when grouped according to total assets, there is no significant difference in liquidity as manifested in the current and quick ratios. However, at least one group has a significantly different accounts receivable turnover, asset turnover, and debt ratio. The study also found that the debt ratio of medium-sized enterprises is significantly higher than micro enterprises. Moreover, a study on MSMEs in the Philippines found that the financial performance of MSMEs varies significantly across different asset sizes. The study used one-way analysis of variance to analyze the financial performance of MSMEs grouped according to their total assets. The results showed that there is no significant difference in liquidity, but there are significant differences in accounts receivable turnover, asset turnover, and debt ratio.

Issues and Problems Encountered by MSMEs in Roxas Isabela

Table 11 shows the issues and problems encountered by MSMEs in Roxas, Isabela.

It can be deduced that there is a neutral perception that high interest rates on loans hinder the growth and sustainability of their businesses, and a lack of collateral or assets often prevents their businesses from obtaining necessary financing, as indicated by mean scores of 2.70 and 2.56, respectively. These has been the top issues and problems encountered by entrepreneurs in the area. MSME loan interest rates vary depending on the lender and the type of loan. The interest rate can significantly impact the overall repayment amount, with higher interest rates leading to higher EMIs. For example, Kinara Capital offers business loans with interest rates starting at 24% and calculated on a reducing rate basis (Understanding MSME loan interest rate: Check current rates, charges & apply, 2024). On the other hand, the SME Term Loan with Prime Rebate by PSBank offers competitive rates for small businesses, with interest repricing options and Prime Rebate for advance or excess payments (PSBank, Ph peso - US dollars).

Next on these issues and problems encountered are the difficulties faced by businesses in accessing funding from traditional financial institutions due to their size and nature of business, lengthy and complex loan application processes that discourages them from seeking financing, and lack of credit history or a poor credit score affects their business' ability to secure financing as shown by the mean of 2.42, 2.40, and 2.32, respectively. However, it can be deduced that there is disagreement among themselves, and thus, these are not serious issues being encountered by business owners in the locality. This is contrary to the finding of [Home. Top 5 Challenges for MSME Business Loans: Overcoming Obstacles \(n.d\)](#), where MSMs frequently encounter challenges in gaining trust from lenders, which hinders their loan approval. To address this, MSMEs can focus on establishing a solid credit history, engaging regularly with financial institutions, and ensuring prompt

repayments. Additionally, exploring alternative lending avenues like peer-to-peer platforms and FinTech services can offer easier access to financing. Navigating complex regulatory processes can be overwhelming for MSMEs, but ongoing government reforms aim to simplify regulations and support MSMEs. It is essential for business owners to stay informed about current policies and take advantage of government initiatives tailored for MSMEs. While financial acumen is vital for business success, many MSME owners lack expertise in this area. Investing time in enhancing financial literacy through courses or seeking guidance from financial advisors can be beneficial. Moreover, numerous MSMEs, particularly those in rural areas, struggle with outdated technology and limited digital skills. Embracing modern technologies and digital tools can significantly enhance operational efficiency, making MSMEs more appealing to potential lenders.

Table 11. Issues and Problems encountered by MSME in Roxas, Isabela

Issues and Problems	Mean	Descriptive Equivalent	Rank
1. Access to affordable financing is a major challenge for my business.	2.13	Disagree	8
2. High interest rates on loans hinder the growth and sustainability of my business.	2.70	Neutral	1
3. Lack of collateral or assets often prevents my business from obtaining necessary financing.	2.56	Neutral	2
4. Limited availability of financial resources restricts the expansion opportunities for my business.	2.23	Disagree	6
5. Lengthy and complex loan application processes discourage my business from seeking financing.	2.40	Disagree	4
6. Insufficient financial literacy and business planning skills hinder my business' ability to secure adequate funding.	2.17	Disagree	7
7. Government policies and regulations do not adequately address the financing needs of businesses.	1.75	Disagree	10
8. Businesses face difficulty in accessing funding from traditional financial institutions due to their size and nature of business.	2.41	Disagree	3
9. Lack of credit history or a poor credit score affects my business' ability to secure financing.	2.32	Disagree	5
10. Insufficient financial support for research and development activities hampers the innovation and growth potential of my business.	1.82	Disagree	9

Legend: 1.50-2.49 = Disagree; 2.50-3.49 = Neutral

Lastly, the same disagreement among the business owners has been observed along issues and problems about the limited availability of financial resources restricting expansion opportunities for their businesses, insufficient financial literacy and business planning skills hindering their ability to secure adequate funding, access to affordable financing, insufficient financial support for research and development activities hampering the innovation and growth potential of their businesses, and government policies and regulations that do not adequately addressing the financing needs of their businesses which ranks 6-10 among the issues and concerns presented by MSMEs as shown by the means ranging from 1.75 to 2.23.

The findings imply that there were no serious problems encountered by business owners or MSMEs in the locality. This means that they are aware of their responsibilities and duties to be able to qualify for financial assistance and credit availability among sources. This further shows that the government policies and regulations does not often fall short in adequately addressing the financing needs of MSMEs. This emphasize that the role of government intervention is crucial in expanding MSME finance spaces, especially in developing countries with less efficient financial markets. However, improper actions can lead to potential distortions, emphasizing the importance of designing interventions that aim for market efficiency rather than market distortion. Government interventions in MSME financing can sometimes create negative market distortions and long-term losses in the financial sector. Challenges include ensuring that financial support reaches the intended target group, maintaining financial discipline, and avoiding a 'non-repayment culture' among beneficiary enterprises. Public interventions may also weaken financial discipline in the MSME debt market and reduce market competition, leading to a 'crowding out' effect that discourages firms from using non-subsidized financial institutions and forms of financing (Policies for improving MSME Finance Options. UNESCAP, n.d.)

In general, the results are contradictory to the findings of Wijaya et al. (2017) where they have mentioned that the problems faced in running the business or enterprise are external factors such as situation and condition, location, business permit, competition and business information and internal factors such as management of the business, the less skilled workers, product/ production and supplier control, marketing and capital. In addition, Mahender et al. (2022), found that enterprises are not able to contribute well to economic growth due to several challenges that impede their performance, including financial problems, lack of knowledge, and poor financial management.

Relationship between Issues and Problems and Growth Performance of the MSMEs

Table 12 shows the relationship between the issues and problems and growth performance of the MSMEs.

It can be surmised that there is a significant negative correlation between the two variables as indicated by the correlation coefficient of -0.548 to -0.874 with the p-value of 0.001 leading to the rejection of the null hypothesis.

This shows that as the issues and problems are growing such as access to affordable financing, high interest rates on loans, lack of collateral or assets, limited availability of financial resources, lengthy and complex loan application processes, insufficient financial literacy and business planning skills, inadequate government policies and regulations, inaccessibility to traditional financial institutions, lack of credit history, and insufficient financial support for research and development activities, the growth performance of the MSMEs are declining. Thus, this leads to an implication that programs on financial accessibility and other activities should be considered when managing a certain business. Moreover, a skill for financial literacy should be considered.

The findings of this study partly support the evidence reported by Hossain (2020) that there is a relationship between financial literacy and business performance. Although not all financial literacy indicators are strongly related to other indicators, the results reported in this study portray that financial literacy is important and could be related to record keeping, performance, or risk management. In the same spirit of this issue, Mabula and Ping (2018) document that firm use of technology, record keeping, performance, and risk

management are associated with financial literacy. In addition, given that the study finds a positive and significant correlation between business plans and business knowledge, the owners of MSMEs, to a certain extent, have included business plans in their daily activities. A business plan is essential as it provides a benchmark of performance that could be used as the basis for analysis of the business's potential (future growth). Hussain et al. (2018) examine the SMEs in England and report that financial literacy could positively impact future growth.

Table 12. Relationship between Issues and Problems and Growth Performance of the MSMEs

Issues and Problems	Growth Performance	
	Correlation Coefficient	p-value
1. Access to affordable financing is a major challenge for my business.	-.874*	.001
2. High interest rates on loans hinder the growth and sustainability of my business.	-.830*	.001
3. Lack of collateral or assets often prevents my business from obtaining the necessary financing.	-.844*	.001
4. Limited availability of financial resources restricts the expansion opportunities for my business.	-.833*	.001
5. Lengthy and complex loan application processes discourage my business from seeking financing.	-.838*	.001
6. Insufficient financial literacy and business planning skills hinder my business' ability to secure adequate funding.	-.789*	.001
7. Government policies and regulations do not adequately address the financing needs of businesses.	-.548*	.001
8. Businesses face difficulty in accessing funding from traditional financial institutions due to their size and nature of business.	-.824*	.001
9. Lack of credit history or a poor credit score affects my business' ability to secure financing.	-.832*	.001
10. Insufficient financial support for research and development activities hampers the innovation and growth potential of my business.	-.460*	.001

Legend: * = significant at 0.05 level

Proposed Plan of Action to Improve Business Credit Availability to MSMEs in Roxas, Isabela

The Proposed Plan of Action
Action Plan to Improve Business Credit Availability

Rationale

Improving business credit availability for Micro, Small, and Medium Enterprises (MSMEs) is critical for fostering local economic growth and enhancing the sustainability of businesses. By implementing a comprehensive action plan that includes enhancing financial literacy programs, establishing a local credit information system, and advocating for flexible loan terms, we can empower MSME owners with the necessary skills and knowledge to navigate the complexities of business financing. This approach addresses the immediate barriers to credit access and equips business owners with the tools to make informed financial decisions, ultimately leading to improved business performance.

Objectives:

1. To equip Micro, Small, and Medium Enterprises (MSMEs) in Roxas, Isabela, with essential financial literacy and management skills that would enable them to make informed decisions regarding budgeting, credit management, and loan acquisition, improving their overall financial health and business sustainability.
2. To create a supportive ecosystem that increases awareness of funding opportunities, streamlines loan application processes, and promotes alternative financing methods for MSMEs for easy access of the capital necessary to support their growth and development.

Plan of Action

<i>Specific Objectives</i>	<i>Activities</i>	<i>Time Frame</i>	<i>Persons Responsible</i>	<i>Resources Needed</i>	<i>Expected Outcome</i>
• Equip MSME owners with essential financial management skills.	<ul style="list-style-type: none"> • Develop and implement targeted financial literacy workshops focusing on budgeting, credit management, and understanding loan terms. • Partner with local educational institutions and NGOs to facilitate these workshops. 	Year Round-Quarterly Basis	DTI Personnel, Entrepreneurs, NGOs (Business Areas)	Laptop, LCD Projector, Program Invitation, Certificates	Financially literate MSME owners
• Improve credit history awareness and transparency for MSMEs.	<ul style="list-style-type: none"> • Collaborate with local banks and microfinance institutions to create a centralized database that tracks MSME credit histories. • Encourage MSMEs to report their financial activities regularly to build a positive credit profile. 	Year Round	Bank Personnel, DTI Personnel, Entrepreneurs/ Business Owners	Database System	Developed Database System
• Make financing more	• Engage with financial institutions to develop tailored loan products	Year Round	Financial Institutions	Programs/project	Developed programs

accessible and manageable for MSMEs.	that offer flexible repayment options based on the cash flow of MSMEs.			related thereto, Tailored Programs of financial institutions	intended for the MSME owners
• Reduce bureaucratic hurdles in obtaining financing	• Implement a mentorship program where experienced business owners guide new entrepreneurs through the loan application process.	Year Round	Established entrepreneurs, local entrepreneurs, DTI personnel	Flyers, Laptop, LCD Projectors	Guided Entrepreneurs
• Diversify funding sources beyond traditional bank loans.	• Educate MSMEs about alternative financing methods such as crowdfunding, peer-to-peer lending, and angel investing.	Year Round	DTI Personnel, Established Entrepreneurs	Laptop, LCD Projector, Program Invitation, Certificates	
• Create a conducive environment for MSME growth through supportive legislation.	• Lobby local government units to implement policies that reduce regulatory burdens for MSMEs seeking financing.	Year Round	DTI Personnel and LGU concerned department	Monitoring and Evaluation sheets	Feedback based on M & E

CONCLUSION AND RECOMMENDATIONS

The study on the determinants of growth performance and challenges of MSMEs in Roxas, Isabela, reveals that most businesses' access to credit is primarily through bank loans, family support, and microfinancing, with factors like flexible credit terms and collateral availability significantly impacting sales growth and profitability. However, challenges such as high interest rates, insufficient collateral, and complex loan processes hinder growth, while government policies and size are not seen as major obstacles. The correlation between issues faced by MSMEs and their growth performance indicates that rising problems negatively affect business success.

With this, recommendations include conducting further studies in different regions for broader insights, collaborating with financial institutions to reduce loan interest rates, promoting flexible credit terms, implementing financial literacy programs, and developing specialized support for sole proprietors to transition to more complex business models. Additionally, introducing microfinance and credit guarantee schemes, along with mentorship programs, can aid entrepreneurs in navigating challenges, and the proposed action plan should be adopted by relevant agencies to foster MSME growth. The theoretical implication of this study highlights the need for a comprehensive understanding of the socio-economic factors influencing MSME growth, while the practical implication suggests actionable strategies personalized to the unique challenges faced by these enterprises, aiming to enhance their financial viability and operational success.

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