

# Prospects and challenges in the implementation of barangay micro business enterprise program in the Philippine countryside

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## Abstract

The barangay micro business enterprise (BMBE) program enables microenterprises from the grassroots to access much-needed support and resources to help them thrive and succeed in their respective industries. Despite the foreseen benefits of this program, only a few small businesses availed. This scenario pushed this paper to uncover the low participation rate in the BMBE program and identify the prospects and challenges in its implementation in the Philippine countryside. This paper looked into the program implementation through a case study using an in-depth interview from purposely selected registered enterprises. The researchers used thematic analysis to process the gathered qualitative data. Findings revealed that the participation in the BMBE program can be attributed to the following generated themes: *lack of information dissemination of the BMBE program, integration of BMBE program in the DTI activities, MSMEs initiative for business protection, availing of BMBE program benefits and incentive, and stringent application requirements of the BMBE program*. Conversely, the following themes constitute the prospects and obstacles in the implementation of the BMBE program: *challenges in the BMBE registration, benefits of the BMBE program, challenges of the BMBE registered enterprises, aspiration of the BMBE registered enterprises, and the effects of the TRAIN law to the BMBE program*. With these findings, this paper hopes to widen the empirical evidence offered to the policy-makers in pushing for the development of microenterprises in the country.

**Keywords:** BMBE, business awareness, business implementation, income tax, microbusiness

**JEL Classification Codes:** A140, L53, M100, O10

## 1. Introduction

Many difficulties confront developing nations, including high rates of poverty and unemployment that continue to obstruct economic growth (Maksimov et al., 2017). However, the proliferation of micro, small, and medium enterprises (MSMEs) will address these high rates of poverty and unemployment, which is a potent weapon for improving the overall quality of life and economic development in developing nations, including the Philippines (Adviento et al., 2022). These enterprises are critical for local economic development, contributing significantly to job creation and poverty reduction (Mendoza & Tadeo, 2023). The Philippine Statistics Authority revealed that the MSMEs comprise 99.58% of all businesses in the country and hold the economy's workforce for up to 63%. With this, the government put a premium on prioritizing assistance and support to MSMEs. Further, business plays a significant role in developing the nation's economy as it is the breeding ground for Filipino entrepreneurial skills (Gano-An & Gempes, 2020).

To assist the MSMEs, the government conceptualized and passed the Barangay Micro Business Enterprise Act of 2002, which helped the MSMEs, specifically the microbusinesses, from their formation to operation (Alera et al., 2022). The BMBE program is a government-led initiative in the Philippines that aims to support and promote the development of small businesses at the local level through Republic Act No. 9178 (Raquiza, 2021). The act provides incentives and benefits to microenterprises with total assets of up to P3,000,000, which are engaged in producing, processing, or manufacturing products, including agro-processing. Moreover, qualified BMBEs can register an asset size of up to three million pesos (P3,000,000) in producing, processing, or manufacturing products, including agro-processing (Simbre & Sta. Maria, 2017).

The BMBE program benefits microenterprises in the Philippines (Lobaton, 2023). It offers income tax exemptions and privileges to registered BMBE enterprises. Moreover, it offers an exemption from the minimum wage law but still pays for social security and health insurance (Hernando & Belanio, 2016). These incentives significantly reduce the financial burden on microenterprises and encourage their growth and sustainability. Furthermore, the BMBE program facilitates access to credit and financing options for microenterprises. Registered BMBE enterprises are eligible for loan programs and financial assistance from government agencies and microfinance institutions, enabling them to expand their operations, invest in technology and equipment, and improve productivity (Garambas & Pinos-an, 2021). Improved access to credit enhances the

viability and competitiveness of microenterprises, contributing to their overall success. Another potential advantage of the BMBE program is its focus on developing local economies (Quingco & Leonoras, 2019). By encouraging microenterprises at the barangay level, the program promotes utilizing local resources, fosters entrepreneurship and strengthens the sense of community ownership. Microenterprises can create employment opportunities within the barangay, reducing unemployment rates and addressing socio-economic issues at the grassroots level (Caclini, 2022).

Despite its potential, implementing the BMBE program faces several challenges that hinder its full realization (Solina, 2020). One major challenge is more awareness and information dissemination regarding the program. Many microentrepreneurs, particularly those in remote areas, need to be made aware of the benefits and incentives offered by the BMBE program. More awareness campaigns and limited access to information must be needed to prevent potential beneficiaries from taking advantage of the program, limiting its impact on the intended target population (Garambas & Pinos-an, 2021). Furthermore, these enterprises need to streamline the registration process for BMBE enterprises. Cumbersome bureaucratic procedures, lengthy processing times, and excessive documentation requirements pose obstacles for microentrepreneurs, particularly those with limited resources and capacities. Simplifying the registration process and reducing administrative burdens can encourage more microenterprises to participate in the program (Hassania Rahou & Taqi, 2021).

Although plenty of research has been conducted regarding the implementation and effectiveness of the BMBE program, more research is needed to address the need for more awareness and understanding of the program. This study uses the case study method to understand individual cases of randomly selected BMBE-registered enterprises comprehensively. Specifically, it addresses the following research questions:

1. What factors affect microenterprises' participation in the BMBE program?
2. What obstacles and opportunities were encountered throughout the BMBE program's implementation?

This research hopes to help the *Go Negosyo Center* of the Department of Trade and Industry (DTI) with what assistance they should provide to the registered and potential BMBE enterprises. On the other hand, the policymakers and the administration can intervene by implementing improvements, especially on the effect of TRAIN law and business tax on these registered business enterprises. The policymakers can also explore ways to streamline the application process, expand the range of benefits provided, and

offer additional support or resources to BMBE-registered enterprises and potential BMBE registrants.

## **2. Literature review**

### **2.1 Impact of BMBE program on rural livelihoods in the Philippines**

Numerous studies have emphasized the positive impact of the BMBE program on economic empowerment and income generation in rural areas. The program facilitates the establishment and expansion of small businesses by providing micro-entrepreneurs with easier access to credit and financial resources. Research conducted in various Philippine provinces indicates that participants in the BMBE program have reported significant increases in household income, leading to improved living standards and reduced poverty levels (Macatumbas-Corpuz & Bool, 2022). These enterprises often provide essential goods and services within their communities, thereby boosting local economic activity and creating job opportunities (Hernando & Belanio, 2016).

The BMBE program has been pivotal in generating employment opportunities in rural areas. Micro businesses, which form the backbone of these regions, often rely on local labor, addressing the prevalent issues of unemployment and underemployment (Villegas et al., 2020). Moreover, the program encompasses training and capacity-building initiatives that empower entrepreneurs with the essential skills to proficiently manage and expand their businesses. These comprehensive training programs encompass various facets of business management, financial literacy, and technical skills, contributing to a more proficient and competent workforce in rural areas and instilling optimism for a brighter future (Manipol, 2023).

Beyond economic benefits, The BMBE program also has a profound social impact on rural communities (Manipol, 2023). It fosters a culture of self-reliance and innovation, empowering community members. This shift towards entrepreneurial thinking can lead to a more dynamic and resilient local economy. Successful micro-enterprises, a result of this program, are not just businesses but community supporters. They invest in local infrastructure, education, and health initiatives to foster pride and belonging in the community, building social cohesion and a shared sense of purpose for the future.

### **2.2 Overcoming challenges in the BMBE program in the Philippine countryside**

One of the significant challenges in the implementation of the BMBE program is the lower level of awareness and understanding among potential beneficiaries. Studies have

shown that many rural entrepreneurs are either unaware of the program or do not fully understand the benefits a process involved (Garambas & Pinos-an, 2021). This lack of awareness prevents many eligible micro-enterprises from availing themselves of the support intended for them (Grecia-de Vera & Burgess, 2018). Literature suggests that increasing awareness through targeted information campaigns, workshops, and partnerships with local organizations can help bridge this gap. Utilizing local media and social networks can also effectively disseminate information about the program to remote communities.

Another critical challenge is the hesitation of participants to the credit offer by this program due to higher interest rates on finance. Although the BMBE program aims to facilitate access to financial resources, the interest rates provided by microfinance institutions and other lending bodies are often prohibitively high for small-scale entrepreneurs. Credit applications have strict requirements, the loan application process is lengthy, and repayment periods are limited. Furthermore, micro-enterprises lack the collateral for their applied loans, and there are restrictions on loans offered to underserved areas (Sepino & Garcia-Vigonte, 2022).

Balancing finances can be a delicate task for microentrepreneurs, especially when it comes to distinguishing personal and business funds. When finances are intertwined, it becomes challenging to accurately assess business performance and profitability. This can result in using personal funds for business expenses or vice versa, making it harder to track spending, file taxes correctly, and secure future funding. To address this, microentrepreneurs should establish dedicated business accounts and maintain detailed financial records. This method allows for making informed financial decisions, building a strong credit history for the business, and ensuring the long-term viability of the venture (Macatumbas-Corpuz & Bool, 2022).

### **3. Methodology**

#### **3.1 Research design**

The study used a qualitative research design, specifically a case study methodology, to determine the prospects and challenges in implementing the BMBE program. A case study is qualitative research that comprehensively details individual cases and analyses (Starman, 2013). An in-depth interview was conducted to interview individual

participants intensively to gather comprehensive data. It allows a detailed exploration of the experiences, challenges, and opportunities registered BMBE enterprises face.

### 3.2 Research setting

The research was conducted in a province in the rural heartland of the Philippines. This specific province heavily relies on agriculture as its primary livelihood source, with only a limited number of industries experiencing growth. Predominantly, the province's economic landscape is characterized by the prevalence of microenterprises.

### 3.3 Sampling procedure

The researchers used purposive sampling in choosing the case study participants and secured their formal approval as participants. Purposive sampling is vital in case study research, ensuring that studies effectively address their objectives and yield valuable insights (Campbell et al., 2020). It involves deliberately selecting cases or participants based on specific criteria, leading to a deeper understanding and diverse perspectives.

### 3.4 Sample

The researchers selected 11 male and female participants drawn from the list of registered BMBE enterprises provided by the DTI from 2018 to 2021. Table 1 provides a brief description of each case BMBE-registered enterprise. Voluntary participation of the owners of the BMBE-registered enterprises was the primary determinant in the final selection of the samples. However, the researchers tried to draw from different areas of the province to represent the business landscape across various municipalities comprehensively.

**Table 1.** Description of the case BMBE-registered enterprises.

Case Study BMBE	Location	Nature of Business	Date of Application Released
Case 1	Zone III, Sogod, Southern Leyte	Retailing	3/12/2021
Case 2	Poblacion, Liloan, Southern Leyte	Trading/retailing	8/16/2019
Case 3	Divisoria, Bontoc, Southern Leyte	Trading	12/27/2018
Case 4	Tagnipa, Maasin City, Southern Leyte	Retail	6/18/2021
Case 5	Combado, Maasin City, Southern Leyte	Trading/retailing	10/16/2019
Case 6	Combado, Maasin City, Southern Leyte	Agri-business	10/15/2019
Case 7	Dakit, San Francisco, Southern Leyte	Bakery/manufacturing	12/5/2019
Case 8	Brgy. Tagnipa, Maasin City, Southern Leyte	Retailing	6/18/2021
Case 9	Santa Cruz, San Juan, Southern Leyte	Services	12/11/2020
Case 10	Himatagon, Saint Bernard, Southern Leyte	Retailing	2/9/2018
Case 11	Himatagon, Saint Bernard, Southern Leyte	School supplies	10/23/2020

### **3.5 Data collection method**

The researchers mainly utilized an in-depth interview in gathering the qualitative data using Lichtman's (2023) framework. It would help researchers understand by generating BMBE registered enterprise experience. Meanwhile, the interview guide undergoes three validation stages: internal testing, expert assessment, and field testing. Moreover, the researchers observed proper procedures for conducting qualitative research interviews (Mcgrath et al., 2019). Furthermore, the researchers remain neutral during the interview by welcoming the interviewees' views and opinions and reinforcing them (Robson, 2002).

### **3.6 Data analysis framework**

Braun and Clarke's (2013) data analysis framework was applied in this study, encompassing six distinct stages. The initial stage involves data familiarization, during which researchers deeply engage with and gain an intimate understanding of the data. It includes extensive reading and re-reading of textual data, listening to audio recordings, and making initial analytical observations. Following this, the second stage entails coding, where researchers assign labels to significant aspects of the data pertinent to the research question guiding the analysis. Every piece of data is systematically coded, and this phase concludes with the organization of codes and relevant data excerpts.

Moving to the third stage, researchers embark on a quest for themes within the data. They seek patterns and meaningful connections relevant to the research question. The collected coded data associated with each theme is gathered after this stage. Subsequently, in the fourth stage, themes are reviewed. It evaluates how well the identified themes align with the coded data excerpts and the entire dataset. Researchers reflect on the themes' coherence and ability to convey a compelling narrative about the data. This stage also involves defining each theme's nature and exploring their relationships.

The fifth stage involves the definition and naming of themes. Researchers comprehensively analyze each theme, considering the story it conveys and its role in the overarching data narrative. They aim to distill the essence of each theme and craft concise, impactful, and informative names for them. Finally, the last stage is the writing phase, an integral aspect of the analysis process. It entails weaving together the analytical narrative with vivid data extracts to construct a coherent and persuasive story for the reader. This process contextualizes the findings within the existing literature, offering a comprehensive understanding of the data's significance.

### **3.7 Evaluative criteria for quality**

This study used Lincoln and Guba's (1985) evaluative criteria for quality, which includes credibility, transferability, dependability, and confirmability. To achieve the study's credibility, the researchers employ the following measures: triangulation, random sampling, peer scrutiny (Shenton, 2004), validity of data generation, and validity of interpretation (Carcary, 2009). To achieve transferability of the quality of the study, the researchers integrate a thick description of the context (research setting) and phenomena to enable others to assess the findings' transferability (Lewis & Ritchie, 2003; Lincoln & Guba, 1985). To ascertain the study's quality, the researchers employ an external audit, a detailed description of the methodological procedures (Lewis & Ritchie, 2003), and a detailed description of the data gathering and evaluation of the effectiveness of the process (Shenton, 2004). Lastly, to accomplish confirmability of the study, the researchers employ audit trail (Lincoln & Guba, 1985), triangulation (Lincoln & Guba, 1985; Shenton, 2004), and reflexivity (Lincoln & Guba, 1985; Shenton, 2004).

### **3.8 Reflexivity**

Reflecting on the BMBE program, it becomes evident that many registered enterprises need more awareness and understanding of its benefits. With this, many registered BMBE participants cannot appropriately use the benefits and incentives. Moreover, some enterprises faced a lawsuit before registering under the program. The stringent application requirements for registration put additional obstacles for potential participants. Despite these hurdles, BMBE-registered enterprises face various challenges, such as the aftermath of natural disasters like typhoon Odette and the enduring impact of the pandemic. In these difficult times, these enterprises hope the BMBE program will offer them the necessary support. While BMBE-registered enterprises take advantage of the income tax exemption provided by the program, but they still have to deal with the burden of business tax. They are also reluctant to apply for loans due to concerns about delayed payments and potential fraud. Instead, they strongly desire to learn and improve their business management skills, striving to become role models for aspiring registrants. However, the introduction of the TRAIN law has impacted these enterprises, resulting in the loss of income tax benefits they once enjoyed. Despite these challenges, BMBE-registered enterprises find solace in the assistance provided by the DTI through Negosyo Centers. These centers consistently deliver much-needed support, guiding and empowering BMBE enterprises to overcome obstacles and achieve sustainable growth.



### **3.9 Ethical considerations**

The study employed Creswell's (2014) ethical framework to ensure the researchers observe proper ethical principles throughout the research activities. First, the researchers gained local permission from the province's DTI and the participants' approval before conducting the study. Second, contact participants, informed them of the general aim of the study, and obtained appropriate consent. The researchers discussed the purpose of the study and how the data will be used. Moreover, researchers respected the privacy and anonymity of participants and avoided disclosing information that would harm participants. Lastly, researchers gave credit for all sources used in the study and provided copies of the report to participants.

## **4. Results and Discussions**

### **4.1 What factors affect microenterprises' participation in the BMBE program?**

#### **4.1.1 Lack of information dissemination of the BMBE program**

Stakeholders' awareness plays a vital role in promoting and implementing the policies, and any misinformation could have dire consequences for the public (Zannettou et al., 2019). When they know a policy's existence, purpose, and requirements, they will likely align their actions and behaviors accordingly. However, it has been a significant worry that some of the government's initiative needs to be adequately disseminated. The failure to effectively disseminate information about the BMBE program has resulted in missed opportunities to enjoy its incentives and benefits (del Pilar et al., 2020). This lack of information dissemination hampers the program's objectives and prevents it from reaching its full potential in fostering entrepreneurship and driving local economic development (Murphy, 2022).

This study found that nine participants needed to learn about the program. One participant said the business is registered under the program without her prior knowledge. Moreover, one participant has been doing business for a year but was curious to know if they are under the program because she only inherited the business from her aunt, who has been doing business for years. Since the participant is not the company's first owner but only inherited it. The following are the participants' responses:

*"I do not know. It is not my business, to begin with; I just inherited this from my aunt."*  
(P2)

*“No, I am not aware of the program, but the DTI conducted business-related seminars.” (P3)*

*“I do not know. I attended many seminars initiated by the DTI, but I am not aware and only heard it from you.” (P6)*

Meanwhile, one of the participants knew about the program's existence but needed to be registered. They have been doing the usual business and are still determining what type of registration they are under.

*“I am part of microenterprises, but I wonder if I am included under BMBE.” (P1)*

The result implies a need for more thorough information dissemination relating to the BMBE program among the microenterprises in a Philippine province. However, the DTI has initiated the conduct of seminars relating to business. Still, most of the participants attended without explicit knowledge of the goal and intention of the seminar. It leads them to miss the opportunities relating to the program.

Beneficiaries need to gain knowledge of the BMBE program because the implementation is less extensive, and only a small number of entrepreneurs are aware of and benefit from it (Aldeguer, 2015). Similar findings occurred among microenterprises in a province in Central Luzon that needed more awareness about the BMBE program (Villegas et al., 2020). Generally, microentrepreneurs need to learn more about the BMBE program (Garambas & Pinos-an, 2021). This provision also suggests that there might be some errors or lapses in information implementation, leaving more entrepreneurs unaware of such implementation.

#### **4.1.2 Integration of BMBE program in the DTI activities**

The integration of the BMBE program in the DTI activities has been a significant move towards empowering small businesses in the Philippines (Ballesteros & Llanto, 2017). With the BMBE program, micro and small enterprises can register their businesses and enjoy benefits such as tax exemption, exemption from minimum wage law, a particular credit window for easier access to financing, and more (Briones, 2016). The DTI's support for the BMBE program has helped promote entrepreneurship and provide a conducive environment for business growth (Ballesteros & Llanto, 2017). The DTI has demonstrated its dedication to boosting the Philippine economy by supporting small businesses, which serve as its foundation, through this integration. Integrating the BMBE

program into the DTI activities includes but is not limited to providing seminars and basic business management training.

Moreover, the department provides direct assistance on registration to prospective BMBE enterprises. During the conduct of research, four beneficiaries disclosed that they had received seminars and basic training on business management from the DTI. Their responses evidence it:

*“Personnel from DTI (Negosyo Center) called and informed me to register my business to receive any relief or benefits from this program in the future.” (P1)*

*“I attended the Mentor Me Program of DTI, through that I gained much knowledge during the workshops, and one of those is the BMBE program.” (P7)*

*“The DTI surveyed micro businesses located in the terminal. And through that survey, we were able to avail the said program.” (P8)*

*“I do not hesitate to join the seminar because I want to understand it. And I am interested to learn about business.” (P9)*

The result shows that the DTI is diligently striving to provide the utmost assistance to its beneficiaries through its seminars and workshops like the *Kapatid Mentor Me Program* and other livelihood seminars and workshops. The department also surveyed the province’s micro-enterprises to identify who would qualify under the BMBE program. Furthermore, the Negosyo Center of the DTI is making great strides to aid microbusinesses in integrating the BMBE program into their day-to-day operations. The Center’s staff members are so committed to their cause that they are willing to go to the microentrepreneurs’ places of business to provide them with personalized assistance in registering their businesses. This dedication makes the registration process smooth and effortless for microbusiness owners. With the Negosyo Center’s unwavering support, microbusinesses can easily register their enterprises and receive the guidance they require to thrive.

The DTI in the City of Taguig has greatly assisted MSMEs (Martinez et al., 2022). Establishing the Negosyo Center and the *Small and Medium Enterprise Roving Academy* has facilitated access to resources and services, including the DTI’s mentoring program (Tecson, 2022). The Negosyo Centers have also been instrumental in promoting ease of business and providing valuable support for microenterprises. Moreover, the Negosyo Centers are responsible for assisting MSMEs with registration and promoting access to services (Medalla & Mantaring, 2017). The promotion of economic growth and

development in the Philippines by supporting MSMEs has been greatly aided by the valuable contribution of the DTI.

#### **4.1.3 MSMEs initiative for business protection**

It is essential to recognize that small business owners face an ever-changing landscape of today's economic challenges (Dinka, 2019). With potential risks such as natural disasters, economic downturns, and lawsuits, they must find innovative ways to safeguard their enterprise. MSMEs initiative helps implement measures and provide resources to protect small businesses against risks and threats, ensuring their continuity and resilience (Badoc-Gonzales et al., 2021). Further, the government plays a vital role in working towards small business environment protection through law implementation and policy support, including creating the BMBE program. The program has created tremendous help and assistance to small businesses and tiny owners in distress. It has been known that this program has supported small businesses to protect and ensure their continuity. One of these protections mentioned is the protection against a lawsuit filed against one of the beneficiaries.

*“DOLE summoned me. I was looking for a way to defend against a lawsuit filed in DOLE. Moreover, this would help me lessen my burden from a case. I thought, why has it been so long that DOLE already summons me? Why only now that I have been summoned already?” (P11)*

This study found that one of the participants has been penalized by the Department of Labor and Employment (DOLE) for paying an employee a salary below the minimum wage. It happened when they still needed to be registered under the BMBE program. The employee filed a complaint against the participant with the DOLE and ultimately won the case, resulting in the participant paying the penalty. This incident causes the beneficiary to feel apprehensive about doing business, leading them to seek the opinion of a family friend who is a legal adviser. It was only during this difficult time that the beneficiary learned about the BMBE program for the first time and now regrets not knowing about it sooner. It was also revealed that the BMBE program allowed registered BMBE enterprises to pay their employees below the minimum wage.

Unfortunately, many microentrepreneurs missed out on the BMBE program benefits simply because they were not informed of it. With more information dissemination and awareness about the program, more microentrepreneurs can avail themselves of the benefits and avoid legal issues (Sepino & Garcia-Vigonte, 2022). It is noted that it is vital to keep informed of the resources available to them as micro business owners. Although

the most attractive benefit of the BMBE Act is the exemption on income tax payment, participants also take advantage of paying their employees below the minimum wage while still paying for social security and health insurance (Figueroa, 2018).

#### **4.1.4 Availing BMBE program benefits and incentive**

The BMBE program offers a range of benefits and incentives to its beneficiaries (Macatumbas-Corpuz & Bool, 2022). These beneficiaries gain several advantages, such as income tax and local business tax exemptions. They are exempted from income tax, allowing them to retain more earnings for business reinvestment. They can also pay below the minimum wage (Alera et al., 2022). Moreover, they are granted an exemption to pay local taxes, allowing them to increase profitability as provided under the BMBE law.

BMBE registered enterprise also granted a particular window for credit and financing loans with a favorable credit term and lower interest rate (Aldeguer, 2015). This program also offers them access to various government programs and services like training for management, interpersonal skills, technical assistance, and business management. However, the most attractive benefit the BMBE program has to offer is the exemption from paying income taxes. Their responses evidence it:

*“This program is good. They mentioned that I might be exempt from paying taxes.”*  
(P7)

*“I availed this due to the reason that it will give the business a two years tax holiday.”*  
(P10)

The result shows that of all the benefits and incentives offered under the BMBE program, the exemption from paying the income tax is the one that caught their interest. Doing business has always been challenging due to compliance with paying taxes (Eichfelder & Hechtner, 2018). Owing to this fact, most of the micro businesses in the country are hesitant to register their business, fearing paying a surmount of taxes and difficulty identifying what appropriate tax is applicable for them (Newman et al., 2018). However, through this program, microbusinesses were given a chance to defray paying income tax and, at the same time, maximize their profit.

The exemption from paying income taxes is one of the incentives primarily sought by these registered enterprises. Some entities have greatly benefited from the tax exemption, while others have forgone the benefit (Figueroa, 2018). For example, microenterprises in Nueva Ecija displayed a high level of awareness regarding tax exemption incentives (Villegas et al., 2020). The participants showed a significant understanding of the

potential benefits of tax exemptions. This finding suggests that individuals in this area are well-informed about how they can potentially save money through tax exemptions.

#### **4.1.5 Stringent application requirements of the BMBE program**

Business registration is vital in establishing a credible and legal entity (Nohoua, 2021). It involves documenting legally the business establishment, ensuring compliance with government requirements and regulations. However, this first step in formalizing the business can often be accompanied by inconvenience that can frustrate individuals and hinder their ability to participate in various programs (Williams et al., 2017). These taxing requirements, not to mention the bureaucratic red tape, have been a perennial problem for almost all the citizens of the Philippines when it comes to regulatory requirements has been a perennial (Salac & Kim, 2016).

One significant hurdle lies in the bureaucratic procedures involved, often requiring potential BMBE registrants to navigate complex and time-consuming processes. Moreover, extensive paperwork and complex documentation can add to the inconvenience and create barriers for individuals, especially with limited resources or access to information. It is evident in the following response:

*“I am already availing it. However, sometimes you think of satisfying it. You will be out of your mind with those many requirements. I feel exhausted just thinking of massive, required documents.” (P10)*

Many new business owners refrain from registering their firms primarily due to numerous requirements and strict procedures that require time and intel costs (Ulysea, 2018). The registered BMBE owners could initially avoid registration costs and focus their resources to lessen their liabilities and add the cost of start-up capital (Kanbur, 2017). The result implies that the beneficiary has experienced inconvenience on registration due to taxing requirements and bureaucratic red tape. Although the beneficiary is willing to register under the BMBE enterprise, the registration was almost discontinued due to difficulty complying with the documentary requirements and other regulatory compliance.

### **4.2 What obstacles and opportunities were encountered throughout the BMBE program’s implementation?**

#### **4.2.1 Challenges in the BMBE registration**

Business registration is crucial in starting an entrepreneur and establishing a formal presence in the business world. Registered enterprises gain access to a wide range of benefits from different private and government agencies that can potentially enhance their

business (Williams & Kedir, 2016). Formal registration lends legitimacy and safeguards their assets. However, BMBE registration challenges aspiring entrepreneurs due to a need for more understanding and awareness of the BMBE program among micro-business owners about the benefits and opportunities of BMBE registration. Limited accessibility to information and guidance further exacerbates the difficulty, making it challenging for potential BMBE registrants to gather necessary documents and comply with the requirements (Garambas & Pinos-an, 2021). Also, inconsistent implementation across different LGUs and varying interpretations of the guidelines pose further obstacles. The following results evidence this:

*“Since I just inherited this from my aunt, I do not know its registration. I have no experience at hand.” (P2)*

*“I do not know about that, and it was my daughter who registered it.” (P3)*

*“It was my wife who registered this. A DTI personnel accompanied her on the registration” (P4)*

*“I do not know the process. I do not know this and am wondering if I have attended a workshop about this.” (P6)*

One participant was unaware if the business was registered under the BMBE program because she only inherited the business from her aunt, who had stopped doing business to focus on her family. Due to this, she needed to gain an understanding of the program as their aunt had registered the business from the start. Similarly, three participants also stated that they did not personally register their businesses but instead relied on their family members to register their businesses. Moreover, DTI offers valuable services to potential beneficiaries in registering their business. DTI personnel personally initiate contacting their potential clients to register under this program.

Addressing these obstacles through streamlined processes, enhanced information dissemination, and improved coordination among government agencies is crucial to ensure the effective and widespread utilization of the BMBE program (Macatumbas-Corpus & Bool, 2022). There should be awareness of business registration among micro-business enterprises (Garambas & Pinos-an, 2021). Moreover, dissemination failure and lack of awareness are why barangays, municipalities, and even cities remain unaware of the program's existence (Manipol, 2023).

#### **4.2.2 Benefits of the BMBE program**

The BMBE program helps aspiring microentrepreneurs in the country that offers numerous benefits and incentives (Solina, 2020). These benefits include income tax exemption, loan privilege, exemption from paying minimum wage, provision for seminars, future assistance, and relief provisions (Uy, 2017).

*Income tax exemption.* The primary benefit of the BMBE program that is most sought is the exemption from income tax, which is immediately enjoyed upon issuance of a certificate of authority effective for two years and renewable for another two years upon expiration (Aldequer, 2015). Micro-businesses registered under the BMBE program can take advantage of a significant benefit income tax holiday. It means they are exempted from paying income tax as long as they maintain their registration, providing them with a crucial reprieve and allowing them to establish their business without the additional burden of immediate tax obligations (Alera et al., 2022). The interview results evidence this:

*“The BMBE program offers a two-year tax holiday, evidenced by an issued certificate from them.” (P1)*

*“I have a legal consultant. He told us that this would give us a two-year tax holiday.” (P10)*

*“One of the benefits I get from this program is I am free to pay from the annual tax.” (P9)*

*Loan privileges.* There are instances when it may be difficult for small enterprises to get financial help, particularly when they need more information, a limited amount of collateral, and a poor financial history (Kgoroadira et al., 2019). However, microbusinesses registered with the BMBE program are eligible to get loan advantages from the program. These advantages include more convenient loan access, lower interest rates, and more advantageous loan terms. Small enterprises can access the necessary funds for expansion via the program's facilitation of financial assistance (Hernando & Belanio, 2016). Most beneficiaries need to appreciate the loan privilege offered by the BMBE program. Their responses:

*“A seminar was conducted informing us about the program, but I did not particularly appreciate it when they offered us a loan. I am not particularly eager to avail of loans because I am afraid to incur delays on monthly payments. The loan rate offered by DTI is way higher than the rate from BPI.” (P5)*



*“I know very little about its benefit except for tax benefits. There is a loan, but I am not interested in it.” (P9)*

Findings revealed that registered enterprises want to avoid applying for a loan as they are afraid to incur delays in the principal payment and interest when they come due. Some of these participants also do not apply for a loan as the interest offered by the BMBE program's partner bank is higher than any commercial bank in their community. Participants are afraid to apply for a loan because it would worsen their situation (Figuroa, 2018). Furthermore, MSMEs are wary of seeking help from commercial banks as they fear it could negatively impact their financial situation (Sepino & Garcia-Vigonte, 2022). Given these findings, financial institutions must proactively address these concerns and provide the necessary support to encourage MSMEs to seek funding options that can help them grow their businesses.

*Exemption from paying minimum wage.* While the payment of minimum wage aims to ensure fair compensation for workers, certain exemptions exist to accommodate exceptional cases (Paqueo et al., 2016). Exemption on paying minimum wage is the second sought benefit of the BMBE program (Aldeguer, 2015). Beneficiaries are awarded this benefit upon issuing the certificate of authority to avail of the exemption from *the Minimum Wage Law* (Figuroa, 2018). Also, this benefit allows entrepreneurs to operate their businesses without fear of violating labor law (Paqueo et al., 2016). Registered enterprises are interested in this benefit as it will help them reduce their labor expenses. Instead of paying the minimum wage, they may use this as additional resources to fund their business operation and purchase inventory. However, even if employees were given compensation below the minimum wage, they are still entitled to receive the same security and healthcare insurance (Alera et al., 2022).

*“I benefited from giving below minimum wage salary to my employees. However, I am also giving a minimum salary rate to my other employees. Because of BMBE, I have confidence in giving minimum wage.” (P11)*

One of the participants shared that she was sanctioned by the Department of Labor and Employment (DOLE) DTI for paying their employees below the minimum wage. After this incident, the participant decided to apply for the BMBE program, owing to the exemption from the *Minimum Wage Law*. One of the most significant advantages of being a registered BMBE enterprise is the exemption from paying minimum wage (Alera et al., 2022). Consequently, paying employees below the minimum wage can lower the

production cost (Macatumbas-Corpuz & Bool, 2022). It is an immediate benefit that gives them the confidence and security they need to grow their enterprises.

*Provision for seminars.* Entrepreneurship seminars offer a wide range of benefits to newly entrant entrepreneurs. Aspiring entrepreneurs can significantly benefit from attending seminars and workshops regularly (Lazuarni & Wulandari, 2021). These events cover various subjects, including financial management, business management skills, and working capital management, to name a few. Such seminars can help microentrepreneurs gain valuable knowledge and skills to improve their business operations. Moreover, the attendees can make better-informed decisions and remain competitive, profitable, and sustainable (Wanidison & Shaddiq, 2021). It is worth noting that registered micro-enterprises are eligible to participate in these seminars and workshops as registered BMBE enterprises. The participant responded:

*“Another benefit offered is a seminar on how to manage a business.” (P5)*

It is worth noting that a seminar on business management is a valuable resource for BMBE-registered enterprises, especially for entrepreneurs with limited knowledge or no experience at all in business. This study found that participants appreciate the initiative of the DTI in providing seminars to these microentrepreneurs, as this will help them run their businesses. Also, the Kapatid Mentor Me Program was created by the DTI to help educate these MSMEs in the province through giving free education, seminars, and training. This program can be an excellent resource for microentrepreneurs looking to improve their knowledge and skills in business management. Seeking guidance is an essential aspect of operating a business (Tecson, 2022). Allowing small garment businesses to participate in DTI seminars and training sessions could greatly benefit the industry. The research findings suggest that such initiatives can help improve microenterprises' performance and enable them to thrive in a highly competitive market.

*Future assistance and relief provision.* In addition to the current benefits offered by the BMBE program, there is great potential for future assistance benefits to be introduced (Bayudan-Dacuycuy et al., 2022). As the business management landscape evolves, the BMBE program must adapt and support micro-business owners (Hernando & Belanio, 2016). Future assistance benefits include advanced seminars or workshops on emerging topics such as digital marketing, e-commerce strategies, technological advancements, sustainable business practices, and innovation. Furthermore, future assistance could include the importance of offering relief provisions to microenterprises that have been adversely affected by events like Typhoon Rai and the lockdown period. These trying

circumstances have undoubtedly taken a toll on their livelihoods, making it imperative that the DTI extend all possible support to help them recover and flourish again. This aid is crucial in ensuring that they are equipped to overcome the challenges and emerge stronger from these setbacks.

These benefits would enable BMBE owners to stay ahead of the curve, equip them with the necessary skills and knowledge to leverage new opportunities and foster the growth and competitiveness of their business in an ever-changing market (Bulfa, 2020). By registering in the BMBE program, micro-businesses can enjoy ongoing support from the government. With this valuable assistance, micro-businesses can navigate the complexities of managing a company, setting themselves up for long-term success.

*“I hope to still avail of the benefits in the future.” (P8)*

*“There is nothing I can do but accept this program. However, I could suggest something, and I hope that when the DTI intends to give relief, it would be better if they provide it in cash so we could be the ones to buy the saleable goods.” (5)*

*“I am familiar with relief goods given after typhoon rai but no cash. Another is a seminar on how to manage a business.” (5)*

*“I do not know about the benefit. I heard the DTI provided relief.” (P1)*

*“I received relief for victims of typhoon rai like weighing scale. There was also the assistance of 5,000 pesos worth of goods during the pandemic.” (P6)*

*“There is no particular benefit that stands. But I remember that DTI provided us relief goods after typhoon Rai.” (4)*

*“The DTI provided us with relief goods as an additional capital after typhoon Rai. Nothing else, but it is okay at least they assisted us right after the typhoon.” (P3)*

In this study, the researchers have the privilege of speaking with numerous beneficiaries who have registered with the BMBE program, and their optimism and high hopes for the future are palpable. These individuals firmly believe that by being registered, they will undoubtedly help their businesses thrive and flourish. One of the most notable benefits of the BMBE program is the relief provisions provided by the DTI. These provisions include goods and cash assistance, which many BMBE-registered enterprises have already appreciated and utilized. However, while they are grateful for the support received thus far, many beneficiaries still hope for additional relief assistance, particularly in the aftermath of calamities (Ballesteros & Llanto, 2017). The BMBE program has been a source of immense security and comfort for these business owners, and they are

incredibly grateful for the support and opportunities they have received. As such, it is clear that the BMBE program is an essential initiative that significantly impacts many people's lives, and it deserves the continued support and attention.

#### ***4.2.3 Challenges of the BMBE registered enterprises***

The registered microenterprises face several challenges that can hinder their growth and success. Firstly, there needs to be more awareness about the BMBE program itself. Many potential entrepreneurs may need to become more familiar with the benefits and incentives offered by the program, such as tax exemptions and access to financial assistance (Garambas & Pinos-an, 2021). This lack of understanding prevents eligible businesses from taking advantage of the support available to them.

*“I cannot answer this since I need help understanding this program. It has no impact on my business.” (P7)*

In this study, most of the participants need help understanding the program, evidenced by the response above and the information provided by the participants. This lack of understanding and awareness poses a significant challenge to these enterprises' growth and development, as they cannot maximize the opportunities offered by the program. There must be an increase effort to promote the BMBE program and educate small business owners about its advantages. This way, it can provide the necessary support and resources to foster the growth and success of the local enterprises. With this, it will encourage entrepreneurship, boost economic activity, and contribute to the overall progress of the community.

*“One of the challenges as registered BMBE is how to apply the knowledge imparted to me during the seminar. I also need to inform and train my employees on managing the business.” (P9)*

Also, in this research, it has been found out that entrepreneurial management pose another challenge. While individuals may have the drive and passion to start their businesses, they may need more skills and knowledge to effectively improve their enterprises (Quingco & Leonoras, 2019). It includes areas such as business management seminars and financial and capital management. With proper entrepreneurial management, BMBE-registered enterprises may overcome obstacles and maximize their potential (del Pilar et al., 2020).

Moreover, there is often a need for more understanding regarding the process of BMBE registration. Entrepreneurs may need help navigating the requirements and procedures for registering their businesses as BMBEs (Uy, 2017). This lack of understanding can lead

to delays, confusion, and missed opportunities for eligible enterprises to avail of the program's benefits.

Addressing these challenges requires a multi-faceted approach. Efforts should be made to increase awareness of the BMBE program through effective marketing and information campaigns. Training and capacity-building programs for entrepreneurs can enhance their entrepreneurial management skills and empower them to overcome obstacles. Simplifying and streamlining the BMBE registration process, along with providing accessible information and assistance, can help alleviate the challenges associated with registration. By addressing these challenges, BMBE-registered enterprises can thrive and contribute to the growth and development of the Philippine economy.

#### ***4.2.4 Aspiration of the BMBE registered enterprises***

When people set goals for themselves, it can give us a glimpse into their deepest desires, aspirations for the future, and the crucial elements that will bring them joy and fulfillment (Javalgi & Grossman, 2016). Aspiration can be viewed as the force that drives people to strive for greatness and inspire those around them. It motivates individuals to do their best and reach their full potential while uplifting and inspiring those in their immediate surroundings. In other words, it is an individual's intense yearning or ambition to attain a particular objective. Microbusiness owners who aspire to become more attentive leaders can enhance their company's operations and management practices (Lechner et al., 2018). By embracing this mindset, they can cultivate a strong sense of purpose and direction, which will help them overcome obstacles and make better decisions.

This research showed that achieving success in their business is the primary objective of registered BMBEs. This ambition serves as their motivation to strive toward the realization of their entrepreneurial aspirations. Furthermore, vital emotional intelligence is crucial in being recognized as a skilled and effective leader. It allows for better communication, empathy, and understanding among members, ultimately leading to a more cohesive and successful organization (Muteswa, 2016). This research has revealed that the participants in this study are highly motivated to become outstanding leaders for their companies and staff. They recognize that setting a good example for others to follow is essential in achieving their goals. As a result, they are highly attentive to the seminars provided by the DTI on the BMBE program, which they perceive as a valuable resource for developing their leadership skills and enhancing their business success. These findings highlight the importance of effective leadership development programs in promoting business growth and success.

*“I could be a role model if I apply the knowledge I imparted. I could help other micro-businesses manage their business.” (P9)*

Many small businesses owners desire to maintain business sustainability (Caldera et al., 2019). For them, starting a business is about ensuring they can provide for their daily needs while still being able to spend quality time with their families. Through entrepreneurship, they hope to achieve a flexible work-life balance that allows them to actively participate in their family’s lives while pursuing their professional goals (Tahir, 2022). By finding this balance, small business owners hope to create a fulfilling and prosperous life that harmonizes their business pursuits with cherished moments spent with loved ones.

*“What matters to me now is for this business to sustain itself in the future. Because it is the source of our living, it is enough for me to feed my family three times a day while enjoying my life with them.” (P11)*

By becoming role models for starting a business and prioritizing family participation, registered BMBE owners inspire their employees and their families. They demonstrate that pursuing entrepreneurial endeavors while fulfilling family responsibilities is possible. Similar to the study of Molina (2020) that flexibility of self-employment is more compatible with family responsibilities. Moreover, their dedication to family participation fosters a supportive work environment that encourages them to prioritize work-life balance (Gragnano et al., 2020).

The motivation of registered BMBE owners to become role models for starting a business and to their employees and actively participating in their families’ lives stems from a desire to impact others, both within and beyond their business, positively. They aspire to inspire while creating a work-life balance that benefits not only themselves but also their employees and loved ones.

#### ***4.2.5 Effects of TRAIN law to the BMBE program***

The *tax reform for acceleration and inclusion law* is a comprehensive tax reform program implemented in the Philippines. The primary objective of the TRAIN law is to generate additional revenue for the government to fund infrastructure projects, social services, and other priority programs, while promoting fairness and simplicity in the country’s tax system. Personal income tax exemption provisions are a significant aspect of TRAIN law (Feniz et al., 2022). One of the changes brought to this tax reform is the revision of tax brackets and an increase in the tax exemption threshold. As a result, most taxpayers now enjoy lower tax rates. The reform has brought simplicity to the country’s tax system. It

has lightened the burden on the low- and middle-income earners, which is very important in promoting fairness in the tax system (Compio et al., 2022). By implementing this law, the government can generate additional revenue to fund infrastructure projects, social services, and other priority programs, which could help drive economic growth in the country.

The effect of the TRAIN law on the BMBE program is primarily related to tax exemptions (Baisas et al., 2023). The TRAIN law introduced changes to income tax rates and brackets, including removing certain tax exemptions. Before the TRAIN law, the income tax exemption was P150,000 but increased to P250,000. It means businesses with an annual income of P250,000 or less are exempt from paying income tax. While this change did not directly affect the BMBE program, it raised the income threshold for tax exemption, indirectly impacting some BMBEs.

This study has shown that many individuals have already been enjoying the benefits of the income tax exemption even before the implementation of the TRAIN law. It is because their income is lower than the threshold the law sets. However, the implementation of the TRAIN law has only improved this situation further by raising the income tax exemption (Feniz et al., 2022). It is supported by the positive responses from the participants.

*“One of the particular benefits that stand out is the exemption to pay an annual tax. But the yearly tax payment is free in the first place.” (P9)*

Based on this research, participants have expressed strong interest in the income tax exemption benefit provided by the BMBE program. This benefit was seen as a valuable way to reduce the tax burden for small business owners. However, since the implementation of the TRAIN law, there have been changes to the income tax rates for individuals and income tax brackets. As a result, the benefits offered by the BMBE program have become less impactful for beneficiaries. Moreover, some BMBEs that had previously enjoyed total income tax exemption due to their revenue falling below the old P150,000 threshold might have experienced changes in their tax obligations. However, it is worth noting that the tax rate for income within the new threshold remained at 0%, providing continued relief for many BMBEs.

*“I am free to pay the annual tax. However, the yearly tax payment is free in the first place.” (P9)*

Furthermore, small business owners have expressed a lesser appreciation for this benefit because they still have to pay the corresponding quarterly business tax despite receiving an exemption from income tax. In conclusion, while the BMBE program was initially

seen as a valuable benefit for small business owners, changes to income tax rates and brackets have made it less impactful for beneficiaries. They do not appreciate this benefit as their income exceeds the VAT threshold, as evidenced by their response:

*“I am aware of tax benefits, and I benefited from it. But it does not apply to me anymore because I am no longer a non-VAT registered. Also, it is no longer applicable after implementing the TRAIN law because we are already covered under the new tax law. And since our sales do not reach the VAT threshold, we are exempt from paying annual tax.” (P11)*

The BMBE program provides support and incentives to MSMEs in the Philippines. These enterprises can register as BMBEs to avail themselves of benefits such as income tax exemptions, preferential treatment in government procurement, and access to financing and other forms of assistance.

## **5. Conclusions and recommendations**

This qualitative study extensively assessed why only a few are interested in registering as BMBE beneficiaries and identifying their challenges as a registered BMBE enterprise. The study focused on understanding the level of awareness and comprehension among registered BMBE owners in a Philippine province. While these micro-business owners know their registration under the BMBE program, their understanding of the program still needs improvement due to poor information dissemination and lack of awareness. Despite this, registered BMBE owners have enjoyed benefits such as income tax holidays and paying below minimum wage. Also, it is worth mentioning that the DTI is committed to promoting the BMBE program through various channels, including seminars and training like the *Kapatid Mentor Me Program*. Moreover, these registered BMBE owners felt the need for more entrepreneurial management, including financial and capital management skills, and the impact of the pandemic and typhoon Odette. Furthermore, implementing the TRAIN law has indirectly affected the interest of BMBE owners of the said program. With this, this paper offers evidence to the policy-makers in crafting improvements in the policies supporting the development of microenterprises in the country.

The BMBE program has potential for rural Philippines, but success requires a multifaceted strategy. The following are suggested recommendations aimed at maximizing the effectiveness of BMBE program:



1. Streamlining documentation requirements, providing step-by-step guidance, and offering assistance through local government unit (LGU) and implement a user-friendly online application process by streamlining application forms.
2. Increase awareness and understanding of the BMBE program through extensive information dissemination via seminars and workshops across municipalities, targeting microentrepreneurs and government personnel involved in business registration.
3. There should be an evaluation and monitoring of the effectiveness of this program to ensure that the entrepreneurs enjoy the benefits associated with the BMBE program.
4. Conduct seminars and workshops on financial literacy and business management for registered and prospective BMBE participants through a partnership with a local government university.
5. Policymakers should review the tax structure to BMBE-registered enterprises to offer more comprehensive tax relief for BMBEs, potentially including exemption on local taxes and business tax.

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