



## Awareness and Perceived Implementation of Barangay Micro-Business Enterprise Act of 2002 (Republic Act 9178) in La Trinidad, Benguet, Philippines

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### Abstract

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Micro-business firms comprise more than 90% of the total micro, small and medium enterprises (MSMEs) in the Philippines. In La Trinidad, Benguet, almost all businesses are considered micro-enterprises. One of the government's ways of assisting the microbusiness entrepreneurs is through the Barangay Micro-Business Enterprise (BMBE) Act of 2002 or R.A. 9178. This study determined the level of awareness and implementation of the BMBE Law in La Trinidad, Benguet, and the correlation between microbusiness owners' profile and their level of awareness of the said law. The study respondents are micro-business owners, barangay leaders, and implementers of the law. Results revealed that food micro-business owners and the barangay leaders were generally both unaware, while the implementing agencies were partially aware of the BMBE law. Micro-business profile variables were weakly correlated with the awareness level. Concerning the implementation level, micro-business owners and barangay leaders generally perceived that the BMBE law is not being implemented in La Trinidad. In contrast, the implementers perceived that the provisions in the said law are partially being implemented. The implementer's concerns in fully executing the BMBE law are connected to the expected reduction of the municipality's revenue if every micro-business registers as BMBE. Hence, this study recommends a review of the BMBE law considering the types of enterprises in a municipality. Further, enhancements in entrepreneurial degree course curriculums may enhance awareness of the BMBE law.

### Introduction

Micro, Small, and Medium Enterprises (MSMEs) in the Philippines make significant contributions to the overall economy and its pursuit of economic development. Filipino MSMEs make up more than 99% of all businesses in the country, provide more than two-thirds of the country's employment, and are responsible for almost one-third of the

country's income (Philippine Department of Trade and Industry, 2003). Moreover, a very small business is significant in developing our nation's economy as it is the "seedbed of Filipino entrepreneurial talent" (Santos, 2013).

Despite being said that MSMEs are significant in the Philippine economy, small businesses

encounter problems starting from business registration. When starting, most small business owners claim that capital is the common problem added with the difficulty of processing a business and heavy-laden taxes and other fees collected by different agencies before allowing the entrepreneur to start his business. Start-up capital is also one of the anticipated concerns of budding entrepreneurs. For example, Benguet State University College of Home Economics and Technology offers a Bachelor of Science in Entrepreneurial Technology (BSET). One of the requirements of BSET students is to make a business plan. However, a perennial problem since the course started is nobody among the graduates implemented their planned businesses. In the current revision of the curriculum, implementation of their business plan is now a major requirement. Implementing their business plans will develop an entrepreneurial mind among the students and assure them a business on their own after graduation. However, the students would need a start-up capital to implement their business plans. Other problems that may arise include the difficulty of registering businesses and the fees being collected by the different agencies during business registration.

To assist the MSMEs, specifically the microbusinesses, one of the government policies conceptualized and passed as a law is the Barangay Micro-Business Enterprises (BMBEs) Act of 2002. This law mainly encourages the formation and growth of barangay micro-enterprises by granting them incentives and other benefits. The BMBE Act was signed into law by President Gloria Macapagal-Arroyo on November 13, 2002, and was issued as DTI Department Administrative Order No. 1, Series of 2003 on February 7, 2003. This law primarily exempts micro-business owners from income tax and gives them priority access to government technical and financial assistance. Specifically, the incentives and benefits granted to a BMBE include exemption from taxes and fees, exemption from the minimum wage law coverage, avail of loans from identified banks, and technology transfer, production and management training, and marketing assistance. This law also seeks to bring the “underground economy” into the mainstream. Small and Medium Enterprise Development for Sustainable Employment Program [SMEDSEP] (2005) reiterated that the BMBE law is “a policy of the state to hasten the country’s economic development by encouraging the formation and growth of barangay micro-business

enterprise” and eventually contribute to the economic growth of the country. Santos (2013) inferred that with more businesses formally registered by the local governments, raising tax revenues would be enhanced, generating more jobs and livelihood for the Filipinos. The BMBE law addresses the clamor of most micro-business entrepreneurs and the dilemma of Entrepreneurial Technology students in the implementation of their business plans if fully implemented in the municipality.

Registered business establishments in the municipality include manufacturing establishments and commercial establishments. Manufacturing establishments are divided into agro-industrial and cottage industries, while commercial establishments include banking and other financial facilities and services. The services are subdivided into medical utilities, engineering, repair services, accommodation, food services, real estate, consumer sales, public markets, recreation, etc. Licensing section of the municipality verbally reported that in 2014, there were 391 registered under accommodation and food service activities. The majority of such are classified as micro business enterprises. These micro-business establishments registered in the Local Government Unit acquired DTI registration and paid registration fees at the BIR.

The highest number of approved applications in the BMBE is the National Capital Region (NCR), followed by Southern Tagalog. In 2006, data collected from the Bureau of Local Government Finance under the Department of Finance (DOF) showed that a total of 172 LGUs were already implementing the BMBE Law, with the Ilocos Region posting the highest number of registered barangay micro-businesses (2,638), followed by Central Philippines, CALABARZON, and the National Capital Region (Tecson, 2005).

In an interview with the implementing agencies (LGU, BIR, and DTI) in La Trinidad, they reported that from 2012 until the present, they have been approving BMBE applications. Several BMBEs already exist within the area; however not as numerous as compared to other regions. La Trinidad Local Government Unit gave a rough estimate of around 40 BMBE applications.

The main reason for not applying as BMBE, according to Tecson (2005), is the difficulty in securing a Certificate of Authority that authorizes



one to be a BMBE. The complicated guidelines on the registration of microenterprises by the Department of Finance and the voluminous required documents discourage applicants. However, this report did not indicate the awareness and the perceived implementation of BMBE law among micro-business entrepreneurs and the local government units, specifically at the barangay level.

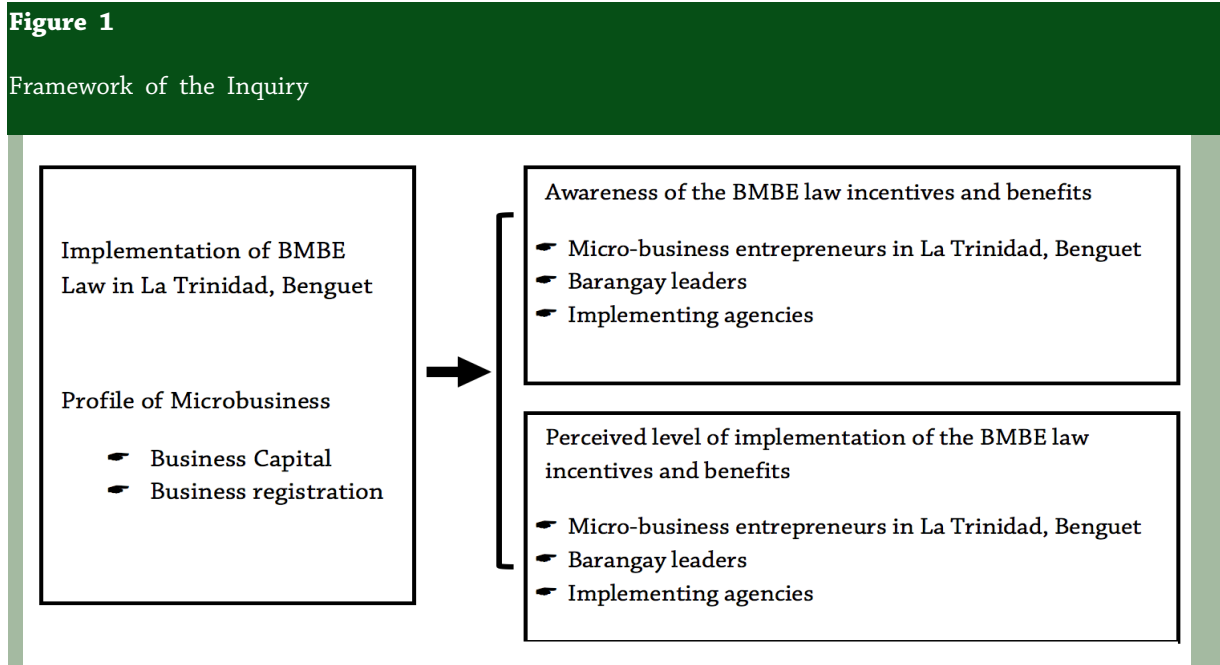
The low application rates as BMBEs in the municipality led to this inquiry's conceptualization. This paper focused on determining awareness and perceived implementation of the BMBE law among foodservice microbusiness owners, barangay officials, and implementing agencies within the La Trinidad area. It also determined if factors such as the amount of starting capital and business registration are correlated to the level of awareness of microbusiness owners regarding the BMBE law. The study results will be utilized in recommending curricular improvement of business-related courses offered specifically at Benguet State University and provide other recommendations to other BMBE law stakeholders.

**Conceptual Framework**

Figure 1 features the framework of the study. Variables considered were the benefits and incentives of BMBEs as stipulated in RA 9178, sections 7-10. The level of awareness and the

perceived level of implementation of the BMBE law were determined considering the three groups of respondents: micro-business entrepreneurs, barangay officials in La Trinidad, and implementing agencies. The profile of micro-business entrepreneurs, indicated in this study by the starting capital and whether the business is registered or not is conceptualized to be correlated to the level of awareness of micro-business entrepreneurs in La Trinidad, Benguet.

MSMEs constitutes the 93.3% of all enterprises in the Philippines which provided livelihoods for most of its citizens (Milagrosa, 2014). In relation to this report, Tecson (2005) pointed out some concerns of MSMEs. One of these is on starting a business. It was observed that the number of complicated steps and signatures add up to the transaction cost of starting a business. It was further explained that large and small enterprises have to go through the same bureaucratic intricacy, but the transaction cost becomes larger for a small enterprise. Large industries, though, have specialized agents to handle such bureaucratic difficulty. Financing is another concern. Small industries are often charged a higher price in favor of large industries since administrative costs are higher for the bank to service a small loan than the large ones. Finally, the third concern is on input and output markets. Larger firms may obtain higher discounts from big purchases of raw materials as compared to the



smaller firms. Further, the high fixed cost of acquiring information on potential buyers, whether local or foreign, on distribution channels or new technologies, create biases against the small industries.

With such issues, government intervention for MSMEs is indeed necessary. Dacanay (2012) enumerated government policies that affect social enterprises. These policies include the Corporation Code of the Philippines (Batasang Pambansa Blg. 68), Philippine Cooperative Code of 1990 and 2008 (Republic Act no. 9520, Agrarian Reform Law of 1988 (Republic Act no. 6657), Social Reform and Poverty Alleviation Act of 1997 (Republic Act no. 8425), Magna Carta for Micro, Small, and Medium Enterprises (MSME) or Republic Act no. 6977 (1991) as amended by RA no. 8289 (1997) and RA 9501 (2008), Barangay Micro-Business Enterprise Law of 2002 (Republic Act no. 9178), Agri-agra Reform Credit Act of 2009 (Republic Act no. 10000), and the “Go Negosyo Act” (Republic Act no. 10644).

Studies have been conducted specifically to assess the policies crafted. However, in this specific study, the author focused on one of the government-issued policies: the Barangay Micro Business Enterprise law of 2002.

DTI (2009) asserted that BMBEs are essential to the country’s economic development since they effectively serve as seedbeds of Filipino entrepreneurial talent. For this reason, the government established the Republic Act no. 9178 or known as Barangay Micro Business Enterprise (BMBE) Act of 2002, which primarily aims to integrate micro-enterprises in the informal sector into the mainstream of the economy. Strengthening BMBEs would therefore mean more jobs and livelihood and a better quality of life for Filipinos.

### **The BMBE Act Major Provisions**

Under this Act, incentives and benefits of BMBEs include exemptions from income tax, particularly income from the enterprise operation, and exemptions from the Minimum Wage Law coverage. Also, BMBE-registered or accredited enterprises have priority access to special credit windows in government financial institutions. Through arrangements with Local Government Units (LGUs), local taxes, licenses, and fees are significantly reduced, waived, outright.

### ***Exemption from Taxes and Fees***

BMBE law stipulates that all BMBEs shall be exempted from income tax for income arising from the enterprise’s operations. Hence, LGUs are encouraged to reduce the amount of local taxes, fees and charges imposed or to exempt the BMBEs from local taxes, fees, and charges.

### ***Exemption from the Coverage of the Minimum Wage Law***

The law states that the BMBEs shall be exempt from the minimum wage law coverage, provided that all employees covered under this Act shall be entitled to the same benefits given to any regular employee, such as social security and healthcare benefits.

### ***Credit Delivery***

The Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), Small Business Guarantee and Finance Corporation (SBGFC), and the People’s Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of BMBEs. The Government Service Insurance System (GSIS) and Social Security System (SSS) shall likewise set up a special credit window that will serve their respective members’ financing needs who wish to establish a BMBE. The concerned financial institutions are encouraged to wholesale the funds to accredited private institutions including community –based organizations such as credit, cooperatives, non-government organizations (NGOs), and peoples’ organizations, which will directly provide credit support to BMBEs.

### ***Technology Transfer, Production and Management Training, and Marketing Assistance***

The BMBE law specifies the following agencies responsible for technology transfer, production, and management training, and marketing assistance to BMBEs: Department of Trade and Industry (DTI), Department of Science and Technology (DOST), University of the Philippines Institute for Small Scale Industries (UP ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC).





## Major Stakeholders of the BMBE Law

The recipient of the BMBE law, the micro business entrepreneurs, the medium of disseminating the law, the barangay leaders, and implementing agencies are considered as intervening variables in the study.

### *Microbusiness Entrepreneurs in La Trinidad, Benguet*

The micro-business entrepreneurs are limited to food service entrepreneurs where total assets are not more than Php3 million. The business capital and business registration are used as profile indicators and were correlated with the entrepreneurs' awareness of the existing law. The hypothesis is the higher the business capital, the higher the awareness level is since an entrepreneur values the amount of money spent in establishing a business. Further, as the entrepreneur registers his business, he is assumed to be enlightened about the registration process and the policies related to this process. Hence, other laws or policies are expected to be revealed more than those who did not register their business.

### *Barangay Leaders*

Though barangay officials are not the ones who implement the law, they play an essential role in disseminating information, especially those that benefit their constituents. Section 12 of the Act clearly states that the following agencies ensure proper and adequate information dissemination of the contents and benefits of the Act: Philippine Information Agency (PIA), Department of Labor and Employment (DOLE), the Department of Interior and Local Government (DILG), and the Department of Trade and Industry (DTI). These agencies downgrade the information to the intended beneficiaries in the barangay level to reach the target beneficiaries. It is understood that leaders in the barangay assume the responsibility of disseminating any information to their constituents.

### *Implementing Agencies*

These implementing agencies include the Local Government Unit of La Trinidad, Bureau of Internal Revenue (La Trinidad), Landbank of the Philippines (La Trinidad Branch), and Department

of Trade and Industry (Benguet Province). Under RA 9178, the Local Government Unit, specifically the Office of the Treasurer of each City/Municipality, is in-charge of registering the BMBEs and issues a Certificate of Authority to enable a BMBE to avail of the benefits under the law. The Bureau of Internal Revenue (BIR), on the other hand, is responsible for exempting the BMBE from the payment of income tax. The BMBE, however, shall submit an Annual Information Return (AIR) instead of an annual income tax return. The Landbank of the Philippines (LBP) and other banks specified in the law shall set-up a special credit window that will service the financing needs of registered BMBEs. Finally, the Department of Trade and Industry (DTI), along with other agencies like the Department of Science and Technology (DOST), University of the Philippines – Institute for Small Scale Industries (UP-ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC) are responsible in assisting the BMBEs through technology transfer, production, and management training, and marketing. Further, the BMBE law specifies that the DTI, in coordination with the private sector and non-government organizations, shall explore the possibilities of linking or matching-up BMBEs with small, medium, and large enterprises and, likewise, providing incentive.

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## Methodology

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### **The Respondents**

There were three groups of respondents in the study: the first group of respondents were 50 micro food service business owners from the different barangays in La Trinidad: Alapang, Alno, Ambiong, Bahong, Balili, Beckel, Bineng, Betag, Cruz, Lubas, Pico, Poblacion, Puguis, Shilan, Tawang, and Wangal. Respondents were chosen through purposive sampling with the following inclusion criteria: (1) the establishment should be related to foodservice; (2) a micro-business enterprise; and (3) operating during the conduct of the survey. The second group was composed of the Barangay leader representatives from the 16 barangays in La Trinidad. The third group consisted of staff members of the implementing agencies situated within the La Trinidad area:



the Municipal Local Government Unit (LGU), Bureau of Internal Revenue (BIR), Landbank of the Philippines (LBP), and the Department of Trade and Industry (DTI). The staff members were identified to be the person responsible for business-related issues and loans specifically for LBP. The data were collected from February 2016 to March 2017.

### Research Instrument

Two sets of structured survey questionnaires were formulated: one for the micro-business foodservice owners and another for barangay leaders. The questions in the instrument were mostly guided response type, and open-ended questions. The questions included the following: profile of micro-business owners; level of awareness on the BMBE law; perceived level of implementation of the law in their respective units; reasons for not availing of incentives and benefits mandated by law (for the micro-business entrepreneurs); and reasons for not implementing BMBE law (for the barangay leaders and implementing agencies). For the implementing agencies, an interview guide or schedule was utilized to gather relevant information.

The research instrument intended for the micro-business owners was pre-tested for reliability to the managers of varied micro-business industries in La Trinidad. The reliability coefficient was determined, and the Cronbach alpha values arrived at were 0.84 and 0.78 for the part I (level of awareness) and part II (level of implementation), respectively.

### Data Analysis

Gathered data were treated with both descriptive and inferential statistics. Descriptive measures such as frequency count and percentage were used to describe micro-business owners' profile. Mean was used in describing the level of awareness and perceived level of implementation of the respondents to the BMBE law. The following are the statistical limit used to describe the awareness and implementation.

Level of Awareness	Level of Implementation
2.33 – 3.00	Fully Aware
2.33 – 3.00	Fully Implemented
1.67 – 2.33	Partially Aware
1.67 – 2.33	Partially Implemented
1.00 – 1.66	Not Aware
1.0-1.66	Not Implemented

Analysis of Variance (ANOVA) was employed in assessing the significant differences in the level of awareness and perceived level of implementation of the BMBE law between the micro-business entrepreneurs, barangay leaders, and implementing agencies. Post Hoc test was used to compare means between the three groups of respondents. Correlation analysis was used to determine the association of the micro-business entrepreneur respondents' level of awareness to their profile.

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## Results and Discussion

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### Profile of the Respondents

#### *Business Capital*

Two percent of the respondents have Php2-3M capital hence, qualified to be a beneficiary of the BMBE. Looking further, most of the respondents claim to have a capital of Php1M and below. These eateries are usually with small stalls established near the schools. These food services have more customers during school days and much lesser customers during weekends and vacations. The quarterly payment of dues to the Bureau of Internal Revenue (BIR) brings insolvency to most micro-business owners.

#### *Business Registration*

Almost all of the respondents registered their businesses at the Department of Trade and Industry (DTI) and their respective local government units. According to the micro food service owners, they need to register their business because now and then, people from DTI monitor their businesses and check their business permits. Aside from this concern, requirements such as receipts and other documents are asked from them. Surcharges are imposed if they will not comply with the requirements.

Despite the business owners' dilemma regarding unstable customers and gain, they are rather forced to register their business due to the strict surveillance of the Local Government Unit (LGU) and the BIR of the registered businesses within the area.



### Awareness of the Barangay Micro-Business Enterprise (BMBE) Act of 2002

Among 50 micro-business owners, 48 (96%) were not aware of BMBE law's existence, while only two (4%) were aware. Hence, their lack of knowledge of the law's existence hinders them from registering as BMBE, which redound to the low registration rate in La Trinidad. In the study conducted by SMEDSEP in 2009 in Bacolod and Cebu, it turned out that only 11% of the respondents in Bacolod and 8% in Cebu were aware of the existence of the law. Such percentage is a lot higher as compared to the awareness of micro-business entrepreneurs in La Trinidad.

The result likewise highlights that generally, both the micro-business owners and barangay leaders were not aware of all the provisions in the BMBE law (Table 1). In contrast, the law implementers were partially aware of the BMBE law provisions. Implementers are fully aware of the first provision (100% tax exemption), partially aware of both the second provision (minimum wage law exemption) and the fourth provision (technology transfer), and not aware of the third provision (credit delivery). Therefore, it is evident that even the implementers are only aware of the provision/s applied to their respective units. During the interview, one of the respondents in

one implementing agency is not even aware of the BMBE law, which contributed partly to the lower mean of the awareness among the implementers' group. BSMED files reflect that in the implementing guidelines regarding the implementation of RA 9178 were disseminated through memorandum circulars issued to the respective units responsible for the implementation of such law.

Further analysis discloses that significant differences in the awareness level of provisions 1, 2, and 4 occur among the three respondent groups (Table 2). In contrast, no significant differences exist regarding the awareness of respondents on the third provision. Results likewise divulge that disparity arises when micro-business owners' and barangay leaders' awareness levels are compared to the implementers' awareness. Implementers are aware, but the beneficiaries of the law are not. Therefore, it reflects that despite the information downgraded to the Local Government Unit (LGU), implementers are hesitant to conduct a wide dissemination campaign regarding the said law due to its accompanying effect on the income of the municipality.

When awareness is correlated to business capital, and business registration, very low correlation coefficients were derived (Table 3).

**Table 1**

*Level of Awareness of the Three Respondent Groups on the BMBE Law Provisions, La Trinidad, Benguet, 2016 - 2017*

Provisions of the BMBE Law	Micro-Business Owners (n=50)		Barangay Leaders (n=16)		Implementing Agencies (n=17)	
	Mean	Descriptive Equivalent	Mean	Descriptive Equivalent	Mean	Descriptive Equivalent
1. 100% exemption from income tax	1.11	Not aware	1.36	Not aware	2.50	Fully aware
2. Exemption from the coverage of the Minimum Wage Law	1.11	Not aware	1.36	Not aware	2.00	Partially aware
3. Credit delivery (special credit window set-up)	1.09	Not aware	1.21	Not aware	1.50	Not aware
4. Technology transfer, production, and management training, and marketing assistance program from various agencies	1.13	Not aware	1.29	Not aware	2.00	Partially aware
Total Mean	1.11	Not aware	1.31	Not aware	2.00	Partially aware

Statistical Limit: 2.33 – 3.00 - Fully Aware

1.67 – 2.33 - Partially Aware

1.00 – 1.66 - Not Aware



**Table 2***Differences of Respondents on the Level of Awareness on BMBE Law, La Trinidad, Benguet, 2016-2017*

Provisions of the BMBE Law	Micro-Business Mean (n=50)	Barangay Leaders Mean (n=16)	Implementers Mean (n=17)	P-value	Interpretation
1. 100% exemption from income tax	1.11 <sup>a</sup>	1.36 <sup>a</sup>	2.50 <sup>b</sup>	2E-05	Highly Significant
2. Exemption from the coverage of the Minimum Wage Law	1.11 <sup>a</sup>	1.36 <sup>a</sup>	2.00 <sup>b</sup>	0.006	Highly Significant
3. Credit delivery (special credit window set-up)	1.09 <sup>a</sup>	1.21 <sup>a</sup>	1.50 <sup>a</sup>	0.141	Not Significant
4. Technology transfer, production, and management training, and marketing assistance program from various agencies	1.13 <sup>a</sup>	1.29 <sup>a</sup>	2.00 <sup>b</sup>	0.008	Highly Significant

Mean values within a row followed by different superscript are significantly different at  $P \leq 0.05$

**Table 3***Correlation of Variables to the Level of Awareness*

Variables Correlated	Coefficient of Correlation (r)	Degree of Correlation
Business capital vs. level of awareness	0.204	Weak
Business registration vs. level of awareness	0.083	Negligible

This result rejects the assumption that business capital and business registration are associated with awareness of the micro-business owners in La Trinidad, Benguet. It disputes the assumption posted by Tecson (2009) that firms with larger capital (especially the large enterprises) have more access to correct information and political savvy. However, the idea that the current study contradicts the previous study is not conclusive since in this current study, the capital considered is only Php3M and below (BMBE capital). On a different note, number of business registration is not sufficient to provide micro-business owners with necessary knowledge on the existence of BMBE law since implementing agencies in La Trinidad is not religious enough or restricted in providing micro-business owners an idea regarding the said law.

#### **Perceived Level of Implementation of the BMBE Act of 2002**

Among 50 respondents, 48 (98%) claimed that the BMBE law, in general, is not being

implemented in La Trinidad, while two (4%) among them claimed otherwise. For the implementing agencies, 3 out of 4 agencies claimed that the BMBE law is being implemented in La Trinidad since 2002 (Table 4). This claim contradicts the number provided by the Department of Trade and Industry's national office. According to the file, the number of applications approved in the Cordillera Administrative Region (CAR) as of January 2004 is zero. The Department of Trade and Industry (DTI) – Region situated at Baguio City opposes the data given. DTI-CAR claimed that since its implementation, there were micro-business owners who were registered as BMBE. The zero count as posted is because the region did not submit data of BMBEs to the national.

#### **Micro-business Owners and Barangay Leaders' View on BMBE Law Implementation in La Trinidad, Benguet**

The study results revealed that both micro-business owners and barangay leaders perceived





**Table 4***Perceptions on the Level of Implementation of the BMBE Law, La Trinidad, Benguet, Philippines, 2016-2017*

Provisions of the BMBE Law	Micro-Business Owners (n=50)		Barangay Leaders (n=16)		Implementing Agencies (n=17)	
	Mean	Descriptive Equivalent	Mean	Descriptive Equivalent	Mean	Descriptive Equivalent
1. 100% exemption from income tax	1.28	Not Implemented	1.14	Not Implemented	2.00	Partially Implemented
2. Exemption from the coverage of the Minimum Wage Law	1.30	Not Implemented	1.14	Not Implemented	1.50	Not Implemented
3. Credit delivery (special credit window set-up)	1.28	Not Implemented	1.00	Not Implemented	1.00	Not Implemented
4. Technology transfer, production, and management training, and marketing assistance program from various agencies	1.32	Not Implemented	1.28	Not Implemented	2.00	Partially Implemented
Total Mean	1.29	Not Implemented	1.14	Not Implemented	1.63	Partially Implemented

*Statistical Limit: 2.33–3.00 - Fully Implemented 1.67–2.33-Partially Implemented 1.00 – 1.66 - Not Implemented*

that all the provisions provided in the said law are not being implemented in La Trinidad, Benguet. During the interviews, micro-business owners contend that even though they went through registering and renewing their business, implementing agencies did not inform them of the existence of the law. Further, they were not aware of any information campaigns conducted by the barangay leaders or any implementing agencies in their respective barangays. On the other hand, Barangay leaders explained that information regarding BMBE law was not downgraded to their respective units. Thus, they are not well informed; hence, they did not disseminate to the target beneficiaries.

It is also observed that different agencies provide different figures as to the number of registered BMBE in the locality. One of the factors that cause the inconsistent figures is the difficulty of moving to the next procedure due to the voluminous documents required and the length of processing time in registering. Hence, most micro-business owners are registered in one office but bound to turn away when the other offices' requirements are difficult to comply with.

#### **Implementing Agencies' View on the Implementation of BMBE Law in La Trinidad, Benguet**

Table 4 further shows that generally, provisions 1 and 4 are claimed by the implementing agencies as partially implemented while provisions 2 and 3 are claimed to be not implemented. The low computed means is brought about by the distinct concern of the different agencies interviewed. However, La Trinidad Local Government Unit asserted that provisions 1, 2, and 4 are fully implemented. In contrast, provision 3, which creates special credit windows set-up at the municipal hall, is truly not implemented at all since they expect financial agencies to handle such concern. With the issue of the beneficiaries regarding the dissemination of information, LGU professed that they had disseminated the information but not being given emphasis since almost all the businesses in the area are considered micro-business or barangay-based. If all the microbusiness owners in La Trinidad will register as BMBE, then the LGU revenue is in jeopardy. Hence, there is no way that the financial needs of the municipality can be addressed. Nonetheless, if there are informed micro-business owners and register, the LGU approved their application. From the LGU point of view, the BMBE law is not



applicable to all municipalities but applicable to large cities where there are more small, medium, and large industries sufficient to sustain the area's needs.

Furthermore, the Department of Trade in Industry (DTI) claimed that they fully implement the fourth provision in their agency. They conduct regular trainings, and anybody may avail of their free trainings. Attendees of the trainings include micro-business owners. DTI raised a concern in regards to the business registration. They think there is a conflict between the BMBE law and the recently issued "Go negosyo" Act of 2015. BMBE law stipulates that the registration is done in local government units, while the "Go negosyo" Act mandates the DTI to facilitate the registration and renewal applications of MSMEs. Hence, the DTI is hesitant in commenting on the implementation of BMBE law.

Landbank of the Philippines (LBP) is identified as one of the implementing agencies that handle financial assistance by setting up a credit window for the BMBEs. The respondent from LBP argues that since the one situated in La Trinidad is only a branch, they are not catering to special loans.

Furthermore, discrepancies are evident in the implementation of provisions 1, 2, and 4. The implementation of the 1<sup>st</sup> provision (100% income tax exemption) and the 4<sup>th</sup> provision (conduct of trainings) are assessed similarly by

both micro-business owners and barangay leaders but deemed differently by the implementers. Accordingly, the implementers claim that such provisions are implemented in the locality; however, the other two groups assessed otherwise. Provisions of the law, specifically on the information dissemination, specified that the Philippine Information Agency (PIA), in coordination with the concerned agencies such as DOLE, DILG, and the DTI, is responsible for ensuring that the contents and benefits of the law are disseminated to the intended beneficiaries (R.A. 9178). However, it was emphasized by the La Trinidad LGU that even though they are aware of the law, the revenue of the municipality will be jeopardized if the law will be fully implemented. As to the implementation of provision 3 (credit delivery), a slight discrepancy is evident to the micro-business owners; however, means reveal that the three groups of respondents consider the 3<sup>rd</sup> provision as not implemented. In this specific study, only the Landbank of the Philippines was interviewed; however, BMBE law provides that other banks are likewise mandated to set-up a special credit window that will serve the financial needs of the BMBEs. Since micro-business owners usually sought financial assistance from loan firms, credit windows in banks other than LBP are observed to be available, but these credit windows are not set-up specifically for BMBEs only. This study's slip-up causes the discrepancy or garnering higher mean in the micro-business groups compared with other groups.

**Table 5**

*Differences among Respondents on the Perceived Implementation of the BMBE Law, La Trinidad, Benguet, Philippines*

Provisions of the BMBE Law	Micro-Business Mean	Barangay Leaders Mean	Implementing Agencies Mean	P-value	Interpretation
1. 100% exemption from income tax	1.28 <sup>a</sup>	1.14 <sup>a</sup>	2.00 <sup>b</sup>	0.01	Significant
2. Exemption from the coverage of the Minimum Wage Law	1.30 <sup>a</sup>	1.14 <sup>a</sup>	1.50 <sup>a</sup>	0.36	Not Significant
3. Credit delivery (special credit window set-up)	1.28 <sup>b</sup>	1.00 <sup>a</sup>	1.00 <sup>a</sup>	0.03	Significant
4. Technology transfer, production, and management training, and marketing assistance program from various agencies	1.32 <sup>a</sup>	1.28 <sup>a</sup>	2.00 <sup>b</sup>	0.04	Significant

*Mean values within a row followed by different superscript are significantly different at  $P \leq 0.05$*



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## Conclusions

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The study concludes that both the food service micro-business owners and barangay leaders have a similar level of awareness on the BMBE law provisions, different from that of the implementing agency group. It also deduces that business registration and business capital are not associated with that of the micro-business owners' level of awareness.

In terms of the perceived level of implementation of the said law, food micro-business owners and barangay leaders equally perceived that the BMBE law provisions are not being implemented in the municipality. However, the implementing agencies perceive that some of the law provisions were being implemented.

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## Recommendations

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As grounded upon the results of the inquiry, the study recommends the following:

For the law makers, a thorough review of the BMBE law considering the economic status per municipality is in order since the municipality's total revenue will be in jeopardy if every micro-business will be granted as BMBE. Perhaps, consider reducing the amount of capital stated in the law or consider granting a BMBE certification on the first application only assuming that BMBEs increased their capital and earnings in the succeeding years. Furthermore, the concerned lawmakers should also review the inconsistent provision of the BMBE law and "Go Negosyo Act" as identified by one of the respondent implementers.

The implementing agencies in general should synchronize in regards to the implementation of the law. Coordination among agencies is necessary for better execution of the BMBE law and other laws.

The Local Government Unit (LGU) of La Trinidad should exert effort in raising the concern regarding the implications of the BMBE law to the higher authority. With such a move,

policymakers will be alarmed by the implication of the law.

To the Department of Entrepreneurial Technology of Benguet State University. Since one of the BSET curriculum courses is Business Law, it is recommended that the faculty member will emphasize the provisions in the BMBE law. This way provides the students a seed of knowledge that such law exists. Also, on their topic regarding business registration, the formal way of registering a business and how to register as a BMBE should be emphasized to the students. In this manner, the students will be given the option of registering formally or registering as a BMBE. Finally, the College of Home Economics, specifically the Department of Entrepreneurial Technology (DET), may link with the implementing agencies and establish a memorandum of agreement detailing students' granting of applications as BMBE and lessen the complications in registering their businesses.

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