

Degree of Influence of Rural Communities in the Emergence and Growth of Small and Medium Enterprises in Samar Island, Philippines

Grado de influencia de las comunidades rurales en el surgimiento y crecimiento de pequeñas y medianas empresas en la isla de Samar, Filipinas

Asterio T. Miranda, Jr., Juneth Lourdes Miranda

ABSTRACT

This study endeavored to determine the degree of influence of rural communities in the emergence and growth of Small and Medium Enterprises (SMEs) in Samar Island, Philippines. The study is a descriptive survey that utilized structured survey questionnaires and personal interviews with the respondents. The result of the study indicated that the community variables influenced the emergence and growth of SMEs in the rural communities. While the economic factors strongly influenced, the socio-cultural, demographic, bio-physical and politico-legal factors influenced the emergence and growth of SMEs in the rural communities. The common problems that hinder the rural communities from influencing the SMEs toward their emergence and growth were focused on the negative attitudes and values of the people in the community which are attributed to people's lack of unity and cooperation, laziness, crab mentality, lack of self-discipline, over dependence on others, vices, lack of concern for the development of the community.

Keywords: Degree of influence; Emergence and growth; Rural communities; Small and Medium Enterprises.

Asterio T. Miranda, Jr.

Corresponding Author

Keimyung University | Daegu City | Republic of South Korea. 101634@kmu.ac.kr

<https://orcid.org/0000-0002-0010-9749>

Juneth Lourdes Miranda

Keimyung University | Daegu City | Republic of South Korea. junethmiranda@kmu.ac.kr

<https://orcid.org/0000-0002-8770-6342>

<http://doi.org/10.46652/rgn.v9i40.1208>

ISSN 2477-9083

Vol. 9 No. 40 April-June, 2024, e2401208

Quito, Ecuador

Submitted: March 25, 2024

Accepted: June 02, 2024

Published: June 17, 2024

Continuous Publication



RESUMEN

Este estudio se propuso determinar el grado de influencia de las comunidades rurales en la aparición y el crecimiento de las pequeñas y medianas empresas (PYME) en la isla de Samar, Filipinas. El estudio es una encuesta descriptiva que utilizó cuestionarios estructurados y entrevistas personales con los encuestados. El resultado del estudio indicó que las variables comunitarias influyeron en la aparición y el crecimiento de las PYME en las comunidades rurales. Mientras que los factores económicos influyeron fuertemente, los factores socioculturales, demográficos, biofísicos y político-legales influyeron en la aparición y el crecimiento de las PYME en las comunidades rurales. Los problemas comunes que impiden a las comunidades rurales influir en las PYME para su aparición y crecimiento se centraron en las actitudes y valores negativos de la gente de la comunidad, que se atribuyen a la falta de unidad y cooperación de la gente, la pereza, la mentalidad de cangrejo, la falta de autodisciplina, la excesiva dependencia de los demás, los vicios, la falta de preocupación por el desarrollo de la comunidad.

Palabras clave: Grado de influencia; Surgimiento y crecimiento; Comunidades rurales; Pequeñas y medianas empresas.

Background of the study

Apparently, development actors-government or non-governmental organizations, academe, and the business sectors are now shifting their focus on accelerating the pace of development, giving much emphasis on a sustainable and people-centered development. In fact, they have been trying to address the problem of poverty and marginality on the basis of growing realization of the continuing relevance of an integrated, holistic approach to development. They help organize and empower rural communities belonging to the poorer and the powerless sectors of society, advocate policies and introduce alternative economic enterprises that would help these organizations to become self-reliant, strong and viable.

An economic enterprise or undertaking, of any nature, scope and scale, often evolve and grow out of many factors such as economic, socio-cultural, demographic, politico-legal and ecological. The professional chair lecture of Talatala (2001), averred that the physical changes occurring in the community can be both causes and effects of a new economic order in that community. The increased accessibility of many areas due to the construction of better roads and bridges, electrification, and the progress made in telecommunication systems, may have attracted industrial and commercial concerns to put up their establishments in these areas. With the establishments being put up, social relationships become more informal and bonds friendships stronger. People get the chance to know each other more intimately, and they have constant face-to-face contacts with each other in the course of day-to-day operations of the business.

Morrison (2006), averred that enterprises are affected by external macroeconomic environment that cannot be controlled such as political, economic, social, technological, environmental and legal factors. These factors can rarely be affected by management decisions because they are external factors beyond the control of SMEs.

The emergence and growth of SMEs in rural communities becomes evident when the needed support mechanisms that will set the business environment more conducive to business operations are in place. Trade policies for example, should encourage investors to establish, develop and expand their businesses. Other factors that may prove beneficial to the emergence of SMEs such as: the presence of credit institutions with good lending packages; the technical intervention and support from government and private sectors such as capability building and skills enhancement programs to equip and capacitate the management and staff of the SMEs on the intricacies of business management (Miranda, 2004).

Objectives of the Study

This study endeavored to determine the degree of influence of rural communities in the emergence and growth of Small and Medium Enterprises (SMEs) in Samar Island, Philippines. Specifically, it aims to:

1. Investigate the profile of rural communities along the economic, socio-cultural, demographic, bio-physical and politico-legal factors.
2. Determine the degree of influence of rural communities in the emergence and growth of SMEs.
3. Identify the problems that hinder the rural communities from influencing SMEs toward its emergence and growth.

Literature Review

World Bank (2002), emphasized that since time immemorial, groups and communities have organized to take care of themselves, they work together, organize themselves, and mobilize resources to solve problems of common interest. Often outside the reach of formal systems, poor people turn to each other for support and strength to solve their everyday problems. Poor people's organizations are often informal, as in the case of a group of women who lend each other money or rice. They may also be formal with or without legal registration, as in the case of farmers' groups or neighborhood clubs. Around the world, including in war torn societies, the capacity of communities to make rational decisions, manage funds, and solve problems is greater than generally assumed.

Organized communities are more likely to have their voices heard and their demands met than communities with little organization. Poor people's membership-based organizations may be highly effective in meeting survival needs, but they are constrained by limited resources and technical knowledge. In addition, they often lack bridging and linking social capital, that is, they may not be connected to other groups unlike themselves or to the resources or civil society or

the state. It is only when groups connect with each other across communities and form networks or associations- eventually becoming large federations with a regional or national presence- that they begin to influence government decision making and gain collective bargaining power with suppliers of raw materials, buyers and financiers.

According to Govori (2013), the SME sector is the backbone of the economy in countries with higher income, while it is less developed in the countries with the low incomes. She further cited the report of the Organization for Economic Cooperation and Development (OECD) indicating more than 95% of enterprises in the OECD area are SMEs. These enterprises employ about 60% of private sector workers, make a major contribution in the field of innovation and support regional development and social cohesion. Also, SMEs in most low-income countries give significant contribution to GDP growth and the creation of new jobs.

SMEs are regarded to be an increasingly important contributor to economies, development and society. They provide employment and opportunity for millions of individuals. The global trend for larger enterprises to reorganize, downsize and outsource enhance their numbers. Hammer and Del Rosario (1997), averred that SMEs account for over 85 percent of the total number of manufacturing establishments in Asia and make a significant contribution to its economic development, in addition to income and employment generation.

Since SMEs are the catalysts for the economic growth of states, investigating factors that may affect their growth is not only a matter of improving their achievements, but also a national development concern. According to recent observations, SMEs generate more than 55% of the GDP and 65% of total employment in high-income countries; more than 60% of the GDP and 70% of total employment in low-income countries; and more than 95% of total employment and about 70% of the GDP in middle-income countries. However, despite their acknowledged contributions to the economy, SMEs are faced with challenges and difficulties that seem to hinder their growth. According to numerous scholars, factors—such as firm characteristics, entrepreneur characteristics, entrepreneurial factors, managerial skills, external environment factors, technology, management issues, marketing management strategies, customers' satisfaction, government policy, sociocultural factors and access to finance—may affect (positively or negatively) the growth of SMEs (Diabate et al., 2019).

SMEs are being promoted in developing countries as they provide a seed bed for economic growth, stimulate indigenous entrepreneurship and lead to development in rural and semi-urban areas. Asian economies are more often owned and managed by family members, adopt a simple management structure and few administrative activities, do not undertake high risk jobs, and are usually involved in the subcontracting market (Visvanathan and Kumar, 1998).

Hammer and Del Rosario (1997), insisted that there is already a widespread acceptance that SMEs play a significant role in the economic development in most Asian countries. The most important contribution lies around providing employment opportunities to the general population. Upgrading indigenous enterprises and contribute significantly to their countries' economies and to the share of exports.

In the Philippines, the SME sector contributes about 33% to the country's economic growth and employs about 67 percent of the labor force. The role of SMEs in the economy's growth is very vital. They contribute to a more equitable distribution of income, disperse economic activities to the countryside, and most importantly, SMEs are potent forces in the war against poverty (BSMBD, 1996).

The survival and growth of economic organizations, like the SMEs must be provided with a favorable environment that will require an effective interplay of economic, socio-cultural, demographic, bio-physical and politico-legal factors of the community. Both the government and the private sectors may take the initiatives to realize it, with the genuine and quality participation of the rural communities. But the SMEs, of any form must also stand and prove their worth, as economic organizations.

Gachuchi (2016), pointed out that both economic and social Factors are the very heart of SME growth. His findings indicated that social factors which includes family size, family type, business networks, language, business relationship and levels of education indicated a strong positive relationship with the SME growth. Furthermore, his findings established a positive relationship between the economic factors such as taxation, interest rates, access to credit and business financing, inflation, and SME growth. The study findings agree with Rogerson (2008), who argued that economic factors affect the growth of Small. Medium and Microenterprises (SMMEs). He further averred that the ability for an SMME to access public amenities like electricity, serviceable roads, and telephone communication are all crucial economic components that sustain SMEs. Limited access to public infrastructure services is a major constraint to SME survival and growth, as it limits operations and restricts access to markets and raw materials (Darroch & Clover, 2005). Harvie (2005), highlighted lack of capital or financial resources as one of the major barriers for SMEs and entrepreneurs to grow their business. He argued that there is a strong relationship between access to affordable financing for SME's and the growth of SME's.

Moreover, Gachuchi (2016), cited other factors that had significant levels of relationship relevance were political environment as it creates or hinders SME businesses. When the political environment is stable, inflation rates are lower, investments are higher, and SME's benefit from direct or indirect funding form government or private investors. However, when the political environment is turmoil, most private investors shun investing in the country due to high risk of associated with politics, inflation, and business growth hereby hindering the growth of SMEs' (Wolf, 2010).

Methodology

The study was conducted in the Samar Island, Philippines involving three provinces, namely Northern Samar, Eastern Samar, and Western Samar, which was renamed Samar by virtue of Republic Act. 5650. Simple random sampling was adopted to draw the 18 rural communities with existing SMEs, 6 for each province. There were 15 respondents drawn through simple random sampling from each rural community composed of: 5 from the management and staff of existing SMEs; 5 from the community households which were drawn through a household count in the community taking into consideration the proximity in the area where SME is established and 5 institutional representatives coming from the DTI, LGU, DECS, NGO and church or religious institutions, each institution had one representative. Based on the target, 18 or 100 percent rural communities participated in the study involving 256, out of 270 respondents.

Survey was the primary method of data collection which utilized survey techniques such as personal interview and self-administered questionnaires. In the gathering of some data with respect to the community profile, however, the researchers utilized the existing secondary data of government and non-government institutions that provide services and programs in the community. To determine whether the community profile may or may not influence the emergence and growth of the SMEs, a structured questionnaire was utilized. The responses were evaluated using the scale of 1 to 3 (3, as the highest with interpretative meaning as 'Strongly influenced'; 2, 'Influenced'; and 1 being the lowest, with interpretative meaning as 'Did not influence').

Descriptive analysis such as frequency counts and percentages, ranking and weighted means were employed in describing the data gathered in this study

Results and Discussion

Profile of Rural Communities

Economic Factors

The highest monthly income derived from the richest households in the 18 rural communities in Samar Island, comes from Northern Samar (mean of Php 55,000) while the lowest is generated by households coming from Samar (mean of Php 41,230). For the whole island of Samar, it reveals that an average of Php 45,970 represents the highest monthly income derived by the richest households. This is favorable on the side of the richest households since their income are much higher than the average poverty threshold for the 3 provinces of Samar Island (Philippine Statistics Authority, 2018) which is Php10,854. The average income of poorest household on the other hand, is Php 1,590 per month, which constitutes 14.65 percent, or short of 85.35 percent in order to meet the poverty threshold level for Samar Island of Php 10,854 income per month. The data imply that there exists a wider gap in terms of income, between the rich and poor in Samar Island.

As to the overall picture of the 18 rural communities in Samar Island more than one half (58.37) are living the poverty threshold level. The highest incidence was in Samar province (mean of 65.93); followed by Northern Samar (58.35), while the lowest comes from the Eastern Samar.

Majority (66.67 percent) of the 18 rural communities covered in this study are engaged in commodity trading; while others concentrate on copra production and marketing, palay/rice production, and livestock and poultry production. The operating capital of most of these industries and enterprises operating in the rural community are partially provided by the owners plus their outside borrowings. The major products identified are basic commodities such as processed and canned goods and other grocery items, rice and copra, hogs and poultry, fish and other aqua products.

The major sources of capital for business operations are banks, private creditors, and cooperatives. Other sources identified are government agencies, NGOs and other development institutions, and pawnshops. These financing institutions gave preference to small business owners, teachers and employees, tricycle and pedi-cab drivers as their beneficiaries whose average amount of loan entitlement mostly range from Php5,000 to Php 10,000 at a monthly interest rate of 5 percent, and a maximum term of 6 months.

Socio-Cultural Factors

All of the 18 rural communities conduct activities such as fiesta celebration; health immunization campaigns. Majority (94.44 percent) conduct CIVAC. Other community activities include barangay consultation/ meetings, launching of community programs and projects, and fund-raising activities. Parents and teachers Associations, Youth organizations, and BHW association are the most common organizations existing in all of the 18 rural communities. Primary cooperatives also exist in 14 rural communities. Other existing organizations are civic and religious; and associations of farmers and fisherfolks, drivers and vendors.

Most (77.78 %) of the rural communities have barangay health centers manned by the BHWs. Colds ranked number 1 among the reported illnesses during the last 6 months with 296 people affected; followed by fever and flu, with 256 people affected; coughs have affected 167 people and other illnesses reported are: diarrhea, amoebiasis, chest pains/TB, dengue, schistosomiasis, and pneumonia.

Majority (83.33 percent) of the rural communities have both day care centers utilized as preparatory schools, and elementary schools, 50 percent have high schools and only 16.67 percent have vocational schools established in the community. Based on the computed average of the estimated percentage distribution of the population of the rural communities according to the highest educational attainment, about 25.27 percent are elementary graduate; 23.61 percent are elementary level; 16.56 percent are high school level; 14.39 percent are high school graduate; while others have either reached or graduated from college or had no formal schooling at all.

Out of the total 4,914 households from 18 rural communities, 48.74 percent have dwelling units made of wood/nipa; 31.89 percent have concrete dwelling units; and about 19.37 percent have barong-barong type of dwelling units.

Demographic Factors

On the average, majority (95.44 percent) of the total estimated percentage distribution of the population of the 18 rural communities are Catholics, and about 50.97 percent are males and 49.03 percent are females. The average household size is 5 and the average population per rural community is 1,413 with 720 males (353 adults and 367 children and youth) and 693 females (340 adults and 353 children and youth).

Bio-physical Factors

The total estimated land area of the 18 rural communities posted about 7,925.20 hectares, of which 49.17 percent are planted mostly with vegetables, palay, coconut, root crops and fruit bearing trees. Majority (94.44 percent) of the rural communities have concrete roads and most (66.67 percent) of them have shallow wells where they get their supply of water. All the 18 rural communities have access to electricity provided by the electric cooperatives operating in the 3 provinces of Samar Island. As to the presence of recreation facilities, 77.78 percent have public plaza; sports facilities; and beach resorts where the residents hold their picnics or parties usually during weekends.

Politico-legal Factors

Majority (72.22) percent of the rural communities have 11 barangay officials. Out of the total 188 officials from the 18 rural communities, 52.13 percent are females and 47.87 percent are males, an indication that more females were elected to office than males during the last barangay elections. In terms of policies and ordinances being passed, most of them are geared towards tax collection, cleanliness and safety of the community.

The Influence of Rural Community Variables on the Emergence and Growth of SMEs

To analyze whether or not community variables such as economic, socio-cultural, demographic, bio-physical and politico-legal factors influence the emergence and growth of SMEs in the area, the respondents were asked to give their perceptions.

The data in Table 1 reveal that the economic factors were perceived to have strongly influenced the emergence and growth of SMEs in their respective areas, with an overall mean score of 2.46. The indicators considered are: the availability of financing source (2.53); the average income of the people in the community (2.47); and the presence of industries in the area (2.38). This implies that SMEs emerge and grow in rural communities where people have visible means of income, sources of financing are accessible, and industries are concentrated.

Table 1. Perception on the Influence of Economic Factors on the Emergence and Growth of SMEs in Rural Community.

CRITERIA	Management and Staff	Community Households	Institution Representative	OVERALL MEAN	VALUE
	n =87	n =84	n =85		
The average income of the people in the community	2.42	2.46	2.54	2.47	SI
The presence of Industries in the area	2.24	2.42	2.47	2.38	SI
The availability of financing source	2.38	2.58	2.63	2.53	SI
OVERALL MEAN SCORE	2.35	2.49	2.55	2.46	SI

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

The data in Table 2 indicate that the socio-cultural variables influenced the emergence and growth of SME in the area where they operate, with an overall mean score of 2.10. The result was based on the following indicators such as: membership in organization such as cooperative, barangay association or civic organization (2.28); the different community activities such as *pin-takasi/bayanihan*, fiesta, *purok* and barangay activities, barangay projects or programs; presence of health facilities and personnel; the availability of educational programs and facilities (each having the same mean score of 2.17); the type of household dwelling units in the community (1.99) and the affiliation in religious sects and their regular activities (1.79). The data imply that SMEs develop in the socio-cultural environment where people in the community organize among themselves regardless of their religious affiliation, spearhead activities that will redound to the benefit of the while community and consequently promoting closer ties among them. Moreover, SMEs grow in a community where people have access to health and education programs and facilities.

Table 2. Perception on the Influence of Socio-Cultural Factors on the Emergence and Growth of SMEs in Rural Community.

CRITERIA	Management and Staff	Community Households	Institution Representative	OVERALL MEAN	VALUE
	n =87	n =84	n =85		
The different community activities such as pitakasi/bayanihan, fiesta, purok and barangay activities, barangay projects and programs	2.12	2.31	2.07	2.17	I
Membership in organization such as cooperative, barangay association or civic organization	2.26	2.38	2.21	2.28	I
Presence of health facilities and personnel	2.05	2.19	2.26	2.17	I
The availability of education programs and facilities	2.08	2.16	2.26	2.17	I
The type of household dwelling units in the community	1.88	1.98	2.12	1.99	I
The affiliation in religious sector and their regular activities	1.79	1.77	1.82	1.79	I
OVERALL MEAN SCORE	2.03	2.13	2.12	2.10	I

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

The demographic factors influence the emergence and growth of SMEs. As reflected in Table 3, the overall mean score of 2.09 indicated that demographic variables influence the SMEs emergence and growth. This covers the following indicators such as: the average number of household population (2.13); the average household size (2.11); and the age range of population (adult to youth or children) with a mean score of 2.04. This implies that the establishment and operations of SMEs in rural communities must consider the household population and household size of every family and the age range of population as bases in determining the type of enterprise to engage in. More importantly, this will give the investors a sound basis in determining also the size and volume of business transactions.

Table 3. Perception on the Influence of Demographic Factors on the Emergence and Growth of SMEs in Rural Community.

CRITERIA	Management and Staff n =87	Community Households n =84	Institution Representative n =85	OVERALL MEAN	VALUE
The average number of household population	1.99	2.16	2.26	2.13	I
The average household size	2.02	2.11	2.21	2.11	I
The age range of population (adult to youth and children)	1.98	2.06	2.07	2.04	I
OVERALL MEAN SCORE	2.00	2.11	2.18	2.09	I

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

Table 4 presents the data on respondents' perception on the influence of bio-physical factors on the emergence and growth of SMEs. The data reveal that the bio-physical factors influence the emergence and growth of SMEs in the rural community with an overall mean score of 2.31. The power supply and the accessibility/presence of road network of the community were perceived by the respondents as having strongly influenced SMEs emergence and growth with mean scores of 2.67 and 2.41, respectively.

The water supply in the community (2.30); the total land area and its boundaries (2.10) and the presence of recreation facilities (2.08) were evaluated to have influenced the emergence and growth of SMEs. The results speak of the importance of the bio-physical attributes of a community establishing SMEs. The results therefore indicate that SMEs emerge and grow in areas where road networks, water supply and recreation facilities are present and easily accessible. The land area and its boundaries provide greater potential and opportunity for SME to expand its operations and maximize its revenue generating capacity.

Table 4. Perception on the Influence of Bio-physical Factors on the Emergence and Growth of SMEs in Rural Community.

CRITERIA	Management and Staff	Community Households	Institution Representative	OVERALL MEAN	VALUE
	n =87	n =84	n =85		
The total land area and its boundaries	2.1	2.02	2.17	2.10	I
Accessibility/presence of road network	2.40	2.36	2.48	2.41	SI
The water supply in the community	2.33	2.25	2.33	2.30	I
The power supply	2.69	2.62	2.69	2.67	SI
The presence of recreation facilities	2.13	1.95	2.16	2.08	I
OVERALL MEAN SCORE	2.33	2.24	2.37	2.31	i

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

The politico-legal variables influence the emergence and growth of SMEs, with an overall mean score of 2.32, reflected in the data in Table 5. The respondents perceive that the type of local leaders in the community and the relationship of the local leaders to the community strongly influence the emergence and growth of SMEs, with mean scores of 2.39 and 2.34, respectively. Furthermore, the policies and ordinances being passed particularly trade and industry policies are considered also as factors that influence the emergence and growth of SMEs. This implies that SMEs can thrive and grow in a sound politico-legal environment where political leaders have relations to the community residents and are supportive to enterprise development efforts. This could be manifested by the kind of policies and ordinances passed by the leaders that could help promote the development of business enterprises in the community.

Table 5. Perception on the Influence of Politico-legal Factors on the Emergence and Growth of SMEs in Rural Community.

CRITERIA	Management and Staff	Community Households	Institution Representative	OVERALL MEAN	VALUE
	n =87	n =84	n =85		
The policies or ordinances passed e.g. trade and industry policies, etc.	2.18	2.28	2.26	2.24	I
The type of local leaders in the community	2.36	2.51	2.31	2.39	SI
The relationship of the local leaders to the community	2.22	2.49	2.32	2.34	SI
OVERALL MEAN SCORE	2.25	2.43	2.30	2.32	I

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

In summary, the data in Table 6, the overall mean score of 2.26 indicates that community variables influenced the emergence and growth of SMEs in the rural communities. While the economic factors strongly influenced (2.46), the socio-cultural (2.10), demographic (2.09), bio-physical (2.31), and politico-legal factors (2.33) influenced the emergence and growth of SMEs in the rural communities.

The result implies that SMEs emerge and grow in rural communities: where people have visible means of income, sources of financing are accessible and industries are concentrated; in a socio-cultural environment where people in the community organize among themselves regardless of their religious affiliation, spearheading activities that will redound to the benefit of the whole community and consequently promoting closer ties among them; when it considers the household population and household size of every family and the age range of population as basis in determining the type of enterprise to engage in, and in determining the size and volume of business transactions; where road networks, water supply and recreation facilities are present and easily accessible; where political leaders have good relations with the community residents and are supportive to enterprise development efforts and are manifested by the kind of policies and ordinances passed by the leaders that could help promote the development of business enterprises in the community.

Table 6. Summary of Mean Scores on the Perception of the Respondents on the Influence of community variables on the Emergence and Growth of SMEs in Rural Community.

VARIABLES	Management and Staff n =87	Community Households n =84	Institution Representative n =85	OVERALL MEAN	VALUE
Economic Factors	2.35	2.49	2.55	2.46	SI
Socio-cultural factors	2.03	2.13	2.12	2.10	I
Demographic Factors	2.00	2.11	2.18	2.09	I
Bio-physical Factors	2.33	2.24	2.37	2.31	I
Politico-legal Factors	2.25	2.43	2.30	2.32	I
OVERALL MEAN SCORE	2.19	2.28	2.30	2.26	I

Legend: 1.00-1.66 DI (Did not Influence); 1.67-2.33 I (Influence); 2.34-3:00 SI (Strongly Influence).

Problems that hinder rural communities from Influencing the emergence and growth of SMEs

Table 7 presents the common problems that hinder rural communities from influencing the emergence and growth of SMEs in Samar Island, Philippines. The data reveal that negative attitude and values of the people in the community ranked first. These attitudes and values as disclosed by the respondents are attributed to people's lack of unity and cooperation, laziness, crab mentality, lack of self-discipline, over dependence on others, vices, lack of concern for the development of community, vested interest and dole out mentality.

The problem on the weak support mechanisms towards development programs and services ranked second. This problem is revealed by some of the respondents that is it not only the government, but likewise the private sector that are responsible for this problem. They emphasize that on the government side, the agencies with development programs have weak functional coordinative mechanism to ensure that their programs are implemented as planned and see to it that there is no duplication of programs in the same community. In the private sector, the respondents claim that follow up and monitoring activities is minimal considering that it lacked manpower and logistical support.

Table 7. Problems that hinder rural communities from Influencing the emergence and growth of SMEs.

PROBLEM AREA	Frequency n =256*	Rank
Negative attitude/values of the people in the community	98	1
Weak support mechanisms towards development of programs and services	72	2
Lack of facilities to enhance production, storage, processing and marketing of agricultural products	66	3
Poverty	35	4
Lack of commitment from the community leaders to work for the development of the community	23	5.5
Programs implemented at the community level are not responsive to the needs of the people	23	5.5
Too much politicking	20	7
Peace and order/insurgency problem	18	8
Natural calamities	15	9
Lack of appreciation on the involvement of people in decision-making and in the implementation of community development programs	12	10.5
Lack of strong and viable people's organization that will venture in business enterprises	12	10.5
Graft and corruption practices	8	12
Influence of the foreign donors which promotes over dependence on them	5	13

*Multiple responses.

Ranking as third among the problems is the lack of facilities to enhance production, storage, processing and marketing of agricultural products. In the production aspect, aside from the technical aspects of production the people in the community have difficulty of getting financial assistance from financing institutions. Storage houses for the agricultural products are minimal that producers tend to sell their products at lower prices than to store them unsafely that might cause spoilage and just result to losses. Processing facilities, machinery and equipment are too limited that at the peak of production could not cope up the demand for the service. In terms of marketing, respondents had emphasized the need to have more farm to market roads to improve the marketing systems.

Poverty problem ranked fourth. As disclosed by the respondents, due to the lack of sustainable livelihood activities of the people within the community, people eventually try to migrate to urban areas just to look for greener pasture.

Problems such as lack of commitment from the community leaders to work for the development of the community, and programs implemented at the community level are not responsive to the needs of the people, both shared the 5.5 rank. These problems are attributed to the absence, if not, lack of awareness on the part of the people regarding the programs implemented within the community due to the failure of conducting consultation dialogue with the people prior to program implementation.

Too much politicking has been identified as another problem which ranked 7th. Twenty respondents claim that political intervention specifically in program planning and implementation has something to do with the success and failure of a program. According to them, selection of program beneficiaries is one factor, and the reason behind the implementation is another aspect that should be looked at.

Peace and order or insurgency problem ranked eight among the problems identified by the respondents. The normal business flows in the rural communities are affected by military and civilian army operations, as shared by 18 respondents.

Other problems identified are occurrence of natural calamities; the lack of appreciation on the involvement of people in decision-making and in the implementation of community development programs; the lack of strong and viable people's organization that will venture in business enterprises; graft and corruption practices; and the influence of the foreign donors which promotes over dependence.

Conclusion and Recommendation

The findings that many of the rural communities in Samar Island lived the poverty threshold level are attributable to the many interrelated factors prevailing within and outside the community. While the economy of Samar Island is basically agriculture, dispersion of industries and enterprises related to agriculture is very minimal, instead concentration of commodity trading has been observed. This situation is magnified by the fact that lending windows, mostly coming from private creditors are only accessible to small business owners with lesser amount of loans, with higher interest charges and with shorter payment terms. In other words, lending windows that will adequately support the farmer-producers in the rural communities to disperse industries and enterprises need to be explored. This will propel the economy of these rural communities through generation of employment and income.

The organizations existing in the rural communities of Samar Island are limited to parents-teachers' association (PTA), youth organization, and Barangay Health Workers (BHW) associations. It is observed that the presence of organizations engaging in economically sound and viable enterprises is very limited. This is one of the reasons why interventions of the government institutions are not very well felt, since their focus are directed to community organizations like cooperatives, now regarded as one of the effective vehicles for socio-economic changes.

Mechanisms to disseminate and implement programs and services of both government and private sectors down to the level of the rural communities have been found to be weak. This reality does not solely speak of the frequent issue on the lack of logistical support of the development institutions, e.g. personnel costs, travels, trainings, etc., but this is due to the inability of the rural communities to access relevant and appropriate information that will widen their opportunities to look for economic ventures to help them generate employment and income. As concluded, rural communities in Samar Island lack access to information and communication facilities.

To accelerate economic development in rural areas, it is necessary that supply of entrepreneurs be increased. In Samar Island, being an agriculture-driven economy, focus should be directed toward organizing more agriculture-related industries and enterprises capable of generating employment and income opportunities for the people, thereby exploring the maximum utility of the community resources. Both government and private sectors should undertake initiatives geared toward creating a favorable environment in which rural enterprises and industries are able to flourish.

To respond to the growing concern of the rural communities relative to their lack of access to information technology, it is recommended that the government must come up with policies that will establish more infrastructures to support and improve communication systems in the rural communities. Practically, information is a source of power. Information and communication technologies play important roles in connecting poor people to information about the rules, rights and privileges to basic services, about financial services, markets and prices. The two-way communication flows from the government to community residents and community residents to government assume the responsibility of a responsible citizenship and responsive and accountable governance (World Bank, 2000). Well informed citizens are better equipped to take advantage of opportunities, access services, exercise their rights, negotiate effectively and hold stakeholders of development initiatives accountable.

Research Recommendations

A replication of this kind of study be conducted in other regions of the country to generate findings that may either support or refute the conclusions that this study has derived. Aside from the 5 variables used in this study namely: economic, socio-cultural, demographic, bio-physical and politico-legal, future studies may also consider technological factors. This will specifically focus on how technological advances influence the growth and development of SMEs, and how they relate to rural community empowerment.

Furthermore, there are many agencies both from the government and non-government organizations implementing programs and services geared toward SMEs development. As to how far these programs have been implemented and how effective and efficient these services have been delivered will require scientific inquiry, hence, a study that will assess the level of implementation of SME development programs is likewise recommended.

References

- Bureau of Small and Medium Business Development (BSMBD). (1996). *Small Business in the Philippines*. Trade and Industry Information Center.
- Darroch, M. A., & Clover, T. A. (2005). The effects of entrepreneurial quality on the success of small, medium and micro agri-businesses in KwaZulu-Natal, South Africa. *Agrekon*, 44(3), 321–343. <https://doi.org/10.1080/03031853.2005.9523715>
- Diabate, A, Sibiri H, Wang, L., & Yu, L. (2019). Assessing SMEs' Sustainable Growth through Entrepreneurs' Ability and Entrepreneurial Orientation: An Insight into SMEs in Côte d'Ivoire. *Sustainability*, 11(24), 7149. <https://doi.org/10.3390/su11247149>
- Gachuhi, S. M. (2016). *An Evaluation of Socio-Economic Factors Influencing the Growth of Small and Medium Enterprises in Kenya: A Case Study of Nairobi County* [Master's thesis, United States International University Africa]. Institutional Repository. <http://erepo.usiu.ac.ke/11732/2373>
- Govori, A. (2013). Analysis of external factors affecting the development of SMEs in Kosovo. *MPRA Munich Personal RePEc Archive*, 47230. https://mpa.ub.uni-muenchen.de/47230/1/MPRA_paper_47230.pdf
- Hammer, B., & Del Rosario, T. (1997). A Global Channel for Improving the Environmental Performance of Small Enterprises. *Background Paper for an OECD-Workshop*.
- Harvie, S. (2005). Globalization, Enterprise and Knowledge: Educational Training and Development. *International Review of Education*, 50(1), 74-76(3)
- Miranda, A.T. Jr. (2004). *Empowering Rural Communities Through SMEs in Samar Island, Philippines* [Doctoral Dissertation, University of the Philippines at Los Banos]. <https://papers.iafor.org/submission17252/>
- Philippines Statistics Authority. (2018). *Poverty Situation in Eastern Visayas*. <http://rso08.psa.gov.ph>
- Rogerson, C. M. (2008). Tracking SMME development in South Africa: Issues of finance, training and regulatory environment. *Urban Forum*, 19, 61-81. <https://doi.org/10.1007/s12132-008-9025-x>
- Talatala, R. L. (2001). The Emergence of the Rurban Community and Society: Rethinking the Traditional Rural-Urban Dichotomy. Professional Chair Lecture. *IARDS-CPAf, University of the Philippines Los Banos*.
- The World Bank. (2002). *A Framework for Empowerment*. <http://Worldbank.org>.

The World Bank. (2000). *Philippines Poverty Assessment* (Volume 1). Main Report. UEP Library, University Town.

Visvanathan, C., & Kumar, S. (1998). Issues for Better Implementation of Cleaner Production in Asian SMIs. *SMI Newsletter*. <http://www.serd.ait.ac.th/smi>

Wolf. (2010). Limitations of the network organization in MNCs. In J. Pla-Barber & J. Alegre, (ed.), *Reshaping the Boundaries of the Firm in an Era of Global Interdependence* (Progress in International Business Research, Volume 5) (pp. 143–172). Emerald Group Publishing Limited.

Authors

Asterio T. Miranda, Jr. Is an associate Professor of the Department of Taxation of the College of Business Administration of Keimyung University (KMU), South Korea. He Holds a doctorate degree in Extension Education, with Agribusiness Management as cognate, from the University of the Philippines at Los Banos (UPLB), Laguna, Philippines. Prior to his teaching job in KMU, he was Associate Professor of the Catholic University of Daegu, South Korea for 3 1/2 years. Before his stint in South Korea, he was also an associate professor and Chair of the Department of Agribusiness and Agricultural Economics of the College of Agriculture, Fisheries and Natural Resources, University of Eastern Philippines (UEP), University Town, Northern Samar. Dr. Miranda was a scholar of UEP under Plan-C of the UEP Faculty Development Program from 1995 to 1996 while pursuing his master's degree in Business Administration at the Graduate School, UEP. For his Doctorate degree, he was awarded full scholarship by the Department of Agriculture-Bureau of Agricultural Research (DA-BAR) under the NARDSAF, from 2002 to 2004. During his teaching stint UEP, he received Awards of Distinction for Teaching Excellence for several times. From February 2008 to January 2009, he was tapped by the World Council for Credit Union as one of its Technical Advisors of a project in Southern Afghanistan tasked to organize and develop Islamic Investment and Finance Cooperatives, under the auspices of USAID. He extends consultancy services to cooperatives and non-government organizations in the Visayas Region, Philippines. He has published numerous research articles in both local and international journals, and the first author of the book entitled, *Research Perspectives in Business*.

Juneth Lourdes Fiel-Miranda. Is an associate professor of accounting and other business-related subjects at Keimyung Adams College (KAC) of the Keimyung University in South Korea. She has been an associate professor at the Catholic University of Daegu, South Korea, teaching accounting courses. She graduated with distinction from Western Leyte College for her undergraduate degree in Commerce, and received her Master in Business Administration (MBA) degree from the University of Eastern Philippines and finished her Doctorate degree in Management major in Human Resources Management at the University of San Jose Recoletos, Cebu City, Philippines. She successfully hurdled the Professional Board Examination for Certified Public Accountants (CPA). For over two decades, she worked as Associate Professor of accounting and other business-related courses at the University of Eastern Philippines and was involved in the development and implementation of the four-year degree program in cooperatives; conducted research and extension activities; and took an active role in the establishment of a collaborative linkage between the University of Eastern Philippines and the Grameen Foundation-Australia. She has been a consultant in the areas of management, systems designing and operations of the different business organizations, cooperatives, and non-government organizations in the Philippines. She is currently the president, and one of the pioneers of a nationwide micro-finance institution-the Fundacion Grameen Pilipinas (FGP), which helps students from the less-advantaged sectors of society through microcredit schemes. She has published numerous research articles in both local and international journals, and co-authored a book entitled, *Research Perspectives in Business*.

Statement

Conflict of Interest

We have no conflicts of interest to declare.

Funding

No financial support from parties outside this article.

Notes

The article is original and has not been previously published.