



Challenges Encountered by the Small and Medium Enterprises in the Municipality of Naval

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ABSTRACT

The goal of this study was to identify the challenges that small and medium businesses in the Naval Municipality face. Ten small and medium business owners were specifically chosen to participate in the survey. The method utilized was a descriptive survey. The researcher creates a questionnaire to collect data and opinions on a specific issue, which is then analyzed using the sample percentage and weighted mean method. According to the findings of a survey done among selected Small and Medium Enterprises in the Municipality of Naval, the following problems are frequently encountered: resource/capital, business permit, registration, location, technological capabilities, and competition.

According to the findings, governments should give facilities and equipment to support effective and productive enterprise, encourage them to attend training and seminars to improve their abilities, and create a one-stop shop for all of their company needs.

Keywords: *challenges, encountered, small and medium enterprise*

1. Introduction

The current business environment is perhaps the most dynamic that any company has ever encountered (Amit and Zott 2001). The primary difficulty facing many small and medium firms, according to McEvily et al., (2004), is how to nurture effective innovation via organizational enabling mechanisms, which is described by Linder et al., (2003) as executing innovative ideas that produce value. Amyx (2005) claimed in a survey in Ghana that one of the most significant issues facing small and medium businesses is the negative perception that their clientele have the ability to meet their demands on their own. Marketing and information are the two major problems, according to Sirtongiro et al., (2009), which revolve around a lack of knowledge of foreign market business practices and competition strategies, as well as a lack of sales management strategies. This is supported by Li (2004), who provides evidence that international marketing information is available for the firm. This study was conceived in response to dynamic changes in marketing strategy and increased rivalry between and among businesses around the world. The goal was to identify and analyze the issues faced by small and medium businesses in the Naval municipality.

.Objectives of the Study

The study aimed to achieve the following objectives:

General Objectives. The goal of the study is to find out what obstacles Small and Medium Enterprises face while beginning and conducting a business in the Naval Municipality.

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Specific objectives

1. Identify the factors encountered by Small and Medium Enterprise:
 - 1.1 resources/capital
 - 1.2 business permit registration
 - 1.3 location
 - 1.4 technological capabilities
 - 1.5 competitors

Framework of the Study

Theoretical Framework

Finance gap theory

Bolton (1971) pointed out that SME's lack of knowledge about accessible sources of external funding, and once these are established, SME's have problems completing the loan conditions from the external financier, according to the finance gap theory. Furthermore, according to Bolton (1971), external financiers do not grasp the entrepreneur and their tiny business venture because of the components-knowledge gap and supply gap (Bolton, 1971). As a result, the only way for SME's to raise cash is through capital saving, friends, and family members. Furthermore, because their venture capital and sales value are low in comparison to running costs, they had difficulty supporting the firm, culminating in the SME's eventual collapse.

Resource Dependence Theory

The interaction between a firm and a group of stakeholders in the business environment is the core premise of Pfeffer and Salank's resource dependence theory (1978). Nonetheless, the focus is on the firm's ability to access resources from other stakeholders in the business environment, and this theory suggests that firms should aim to reduce or increase their reliance on other external factors through alliances and joint ventures. Furthermore, the approach can be used to describe how SMEs must pursue both direct and indirect internationalization markets.

Entrepreneurial Innovation Theory

Entrepreneurial Innovation Theory (EIT) is a theory proposed by Joseph Schumpeter, who argues that entrepreneurs aid in the economic development process. According to him, an entrepreneur is someone who is innovative, creative, and foresighted. According to him, innovation can happen when a business owner provides new items or new raw material sources

Conceptual Framework

The study's main goal is to learn about and identify the potential issues that chosen Small and Medium Enterprises in the Naval municipality may face. The researcher gives indicators that affect the obstacles experienced by Small and Medium Enterprises in order to make the study practicable

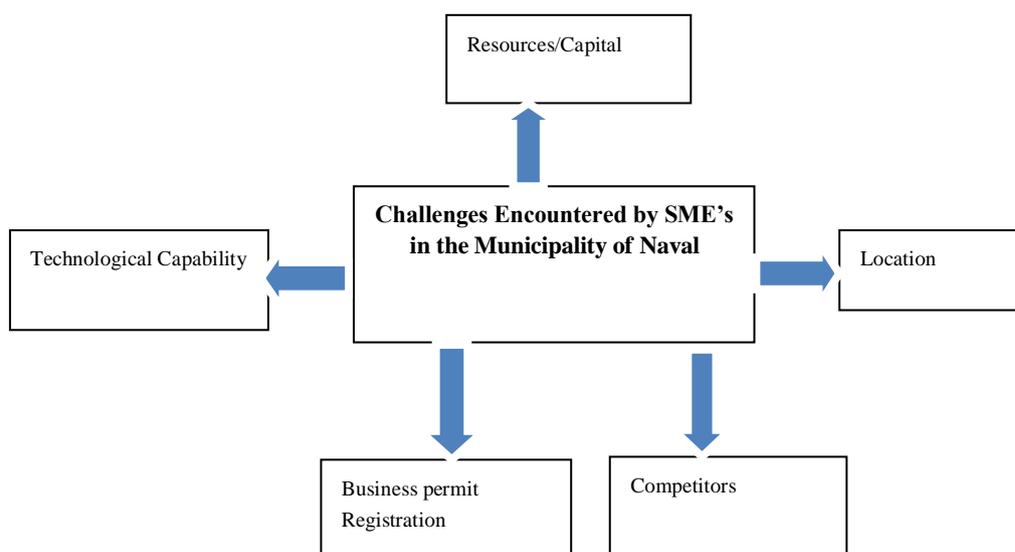


Figure 1. Conceptual Framework of the Study

2. Methodology

For a group of people researched, a survey research was utilized to collect and analyze data from a few people who were thought to be representative of the entire group. This was done since the purpose of the study was to find out what people thought about the challenges encountered by small and medium businesses in the Naval Municipality.

The researcher creates a questionnaire to collect data and opinions on a certain issue, then analyzes the information gathered. According to Nwogu (1991), a survey research design is one in which a group of people or items is examined by gathering and evaluating data from a small number of individuals or items that are considered typical of the entire group. Purposive sampling was used to create the study. Purposive sampling is a non-probability sample technique in which the researcher selects only ten (10) small and medium business owners in the Naval Municipality.

The instrument has five indicators and a five-point scale of 5,4,3,2,1 for each (Always Problem, Oftentimes Problem, Sometimes Problem, Seldom a Problem, Not a Problem). The subject's response was tallied to determine the frequency and related percentage.

The formula is $\text{percent} = \frac{f}{N} \times 100$, where percent denotes a percentage, f denotes frequency, N denotes the number of cases, and 100 denotes a constant. For statistical convenience and empirical test of hypothesis, the subject's response was converted into scores using the weighted mean procedure. $WM = \frac{fs}{N}$, where s denotes scale, f denotes frequency, and N is the number of cases.

3. Result and Discussion

Based on the results of a survey we performed among selected small and medium businesses in the Naval Municipality. The poll focuses solely on the problems that Small and Medium Businesses encounter. Weighted mean is used in the study to elicit data, and Microsoft Excel is used to find weighted mean. Tables 1, 2, 3, 4, and 5 show the results.

.Table 1 Resources/ Capital

Resources/Capital	Weighted Mean	Description
Workers	4.0	Oftentimes Problem
Finance Capital	4.0	Oftentimes Problem
Technology	4.0	Oftentimes Problem
Equipment	4.0	Oftentimes Problem

The findings suggest that financial capital was frequently a concern among SME's in the municipality, according to the data.

Table 2. Business Permit Registration

Business Permit Registration	Weighted Mean	Description
Requirements for Registration	4.0	Oftentimes Problem
Cost of registration	4.0	Oftentimes Problem
Time of processing	4.0	Oftentimes Problem

Another issue that SME's faced was the registration procedures, as well as the cost and processing time. This was owing to LGU-imposed statutory regulations on Business Permit Registration.

Table 3. Location

Location	Weighted Mean	Description
Area of Space	4.0	Oftentimes Problem
Accessibility	4.0	Oftentimes Problem

This revealed that the area and the accessibility were oftentimes a problem among SME's. Location including the area of space and accessibility of location is often problems, this means that they experiences lack of location to build their business.

Table 4. Technological Capabilities

Technological Capabilities	Weighted Mean	Description
Skills on marketing	4.0	Oftentimes Problem
Skill on Accounting and Auditing	3.0	Sometimes Problem
Inventory skills	4.0	Oftentimes Problem
Skills on production and packaging	3.0	Sometimes Problem

Technological capabilities and other factors, particularly in skills on marketing inventories, are important challenges for those who received the 4.0 scales.

Table 5. Competitors

Competitors	Weighted Mean	Description
Number of competitors	4.0	Oftentimes Problem
Availability of substitute production	3.0	Sometimes Problem

This table shows that the number of competitors was oftentimes a problem.

4. Conclusion

According to the findings, small and medium businesses in the Municipality of Naval Challenges had issues with financial capital, business permit registration, location, technological capabilities, and the quantity of competitors.

Recommendation

1. The government may give mechanisms for SME's in the area to obtain extra cash in order to continue operating.
2. The local government may explore expanding business centers in the area to provide more space for entrepreneurs.
3. Business permit regulations should be updated to make advantage of the burden in the processing of business permits.

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