



Employees' Productivity on Financial Performance and Tax Compliance of Cosmetology Industry Micro-Enterprises Owners in Baliwag City, Bulacan

Aaliyah DG. Caysido¹, Paulo B. Mananghaya², Kahlil Ylamari Josef Pancho³, Myrinefer V. Pascual⁴, Justine C. Resurreccion⁵, Hannah Faith D. Zaragoza⁶, Bryan DC. Gabriel Phd⁷, Joy Edilaine R. Handig⁸, Marinelle Domingo^{9}*

^{1,2,3,4,5,6} 3rd Year BSA National University Philippines, School of Business and Accountancy, Baliwag City, Bulacan, 3006 Philippines

⁷Assistant Professor III, National University Philippines, Baliwag City Bulacan, 3006, Philippines

⁸Instructor, National University Philippines, Baliwag City, Bulacan, 3006, Philippines

⁹Instructor, National University Philippines, Baliwag City, Bulacan, 3006, Philippines

Email: resujustine@gmail.com

ABSTRACT

The purpose of this study is to determine how employees' productivity influences the financial performance and tax compliance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. The research design utilized in this study was quantitative correlational research design. In this design, a purposive sampling technique was used among the study's respondents. While data collection was carried out by giving the participants a series of Likert scale questionnaires. A total of 33 cosmetology industry micro-enterprises owners from different barangays in the city of Baliwag, Bulacan, participated in this study. To arrive at the primary research findings and conclusions, descriptive and inferential statistics were used to analyze the data obtained. After analyzing, the results of this research study disclosed that the employees of cosmetology industry micro-enterprises are always highly productive and perform very well, hence, their financial performance goes much better than their competitors. Furthermore, cosmetology industry micro-enterprises owners are knowledgeable, responsible, and well-informed about tax-related matters, but employees' productivity has no significant influence on it. Moreover, the businesses' existing situations might be further improved in a variety of ways and measures, including diversification and development of marketing strategies and services, and easier and effective government tax-related programs and other activities. Hence, it is therefore concluded that the employees' productivity significantly influences the financial performance of the cosmetology industry micro-enterprises in Baliwag City, Bulacan, however, it does not significantly influence their tax compliance.

Keywords: Cosmetology Industry Micro-Enterprises Owners, Employees' Productivity, Financial Performance, Purposive Sampling Technique, Quantitative Correlational Research, Tax Compliance

Introduction

Context and Rationale

The service industry in the Philippines can be considered a major part of its economy, with its large contribution to the country's Gross Domestic Product (GDP), providing opportunities for many to be employed. With the data recorded by Philippine Statistics Authority in the 2021 Annual Survey of Philippine Business and Industry (ASPBI), results showed that a total of 9,564 establishments in the formal sector of the economy were engaged in other service activities, which majority is comprised by those engaged in personal services for wellness, except sports activities, with 4,761 establishments or 49.8 percent of the total for the section. This data proves that the service industry, particularly in beauty and wellness, comprising a significant portion of the economy, is contributing to the growth and development of the country. Furthermore, personal services for wellness, excluding sports activities, employ the highest number of workers, with 39,531 individuals, representing 61.4 percent of employment within this sector, which implies that employees might have a direct influence on business performance and its ability to continue operations for a long time.

"People are our most valuable asset." "Our employees come first." While these statements are frequently heard in workplaces, we still often overlook the importance of employee productivity which may consequently influence business performance and operations. Human capital, among the intangible assets of a company, might be treated as a cost to some, but it can also be seen to be a vital strategy asset as it leads companies to competitive advantages. According to Sri Lankan Journal of Business Studies and Finance (2021), the enhanced productivity of employees is a vital factor influencing organizational performance, especially from a financial perspective.

Moreover, human capital also plays a substantial role in the tax planning and compliance process. When employees are more productive, they generate higher revenues, which subsequently increase their tax contributions to the government. This relationship emphasizes the importance of employees' performance while also ensuring that the organization is consistently in compliance. However, issues with tax compliance among businesses in the Philippines continue to exist. In 2017, medium sized taxpayer contributes 21% of the country's tax revenues. However, in seven of the registered businesses, only 4% have a compliance rate of 95% to 100%, and 18% have a compliance rate of 0% to 9%, while the rest of the 78% have a compliance rate of 10% to 94% (De La Cruz, 2017). Additionally, according to Du-Baladad (2016), more than 900,000 MSMEs does not comply with the Philippines tax law. For instance, they fail to keep books of records, they operate without a permit, and they are not paying taxes.

Tax awareness and compliance of individuals is essential as it allows them to operate businesses legally, enhance financial stability, maintain positive reputations, gain competitive edge, and improve access to financing. With that being said, if tax compliance problems remain unresolved, the economy and every individual are negatively affected. If tax revenues are not commensurate to what they should be, it would decrease the government funds for essential public services, such as education and healthcare, which can then slow down economic development. Furthermore, tax evasion leads to unfair competition, making it difficult for law-abiding businesses to invest and innovate.

While the relationship between employees' productivity and financial performance is established, and the importance of tax compliance is clear, people do not fully see how these points influence each other, especially within micro-enterprises in the cosmetology industry. There is a need to take a closer look at how employees' productivity influence both the financial success and tax compliance behaviors of these businesses. This study investigates how employees' output influences cosmetology industry micro-enterprise owners in Baliwag City, Bulacan, which may help improve how businesses run, moreover boost the country's overall economy.

Theoretical Framework

The researchers used different theories such as Human Capital Theory (Becker, 1964) that posit on the relationship between employee skills and business performance, Resource-Based View (RBV) (Barney, 1991) that reveal the effect of internal resources on business's success, and Theory of Planned Behavior (Ajzen, 1991) that is an explanatory framework that relates a manager's behavior with its attitude. When taken as a whole, these theories will shed light on the variables influencing microbusiness results.

In 1964, researcher Gary Becker proposed his work Human Capital Theory that emphasizes that employee's skills, knowledge, and productivity have a huge contribution to a company's growth and success. Becker (1994) defines human capital as "activities that increase at least resources in people that affect future monetary and psychic income". That is not to say that these activities may not include education, on the job training and medical care, but they are given to employees. Therefore, the name used in this study for human capital was the skills, knowledge, experience, and all in all value of the workforce in the beauty industry that is provided by cosmetologists. This is a mixture of technical expertise in regard to the field of skincare, hairstyling, cosmetics application and soft skills such as customer service, communication, creativity, adaptability, marketing, and business skills. And this theory states that businesses that put some money into their employees through motivating, training, and helping them perform better have greater operational efficiency and financial performance. This is pertinently evident in the cosmetology sector where customer satisfaction and business performance are directly influenced by the quality-of-service employees provide. According to the Sri Lankan Journal of Business Studies and Finance (2021), by investing in employee development, the quality-of-service employees provide will improve and at the same time can improve the customer experience, increase profitability, and secure sustainable, long-term growth.

This study was grounded in the Resource-Based View (RBV) Theory, introduced by Jay Barney (1991), that highlights that firms gain a competitive advantage by leveraging unique internal resources, including human capital. He emphasizes that a firm's sustained competitive advantage is derived from its valuable, rare, inimitable, and non-substitutable (VRIN) resources. In the context of micro-enterprises in the cosmetology sector, skilled employees and effective financial management can be considered a valuable internal capability. People and their skills have a large effect on a company's results, especially in service areas such as cosmetology. They are the main factors that lift the quality of work. This helps build customer trust, makes them come back, as well as makes them tell others of their good experience, which helps the company earn more money. Besides having capable workers, careful money handling keeps a company steady when a firm sets budgets, picks good prices as well as keeps clear records of cash. This inward look fits with the RBV idea that a company should build on its own strengths to hold a good position in the market, work better, and stay profitable over time along with outperforming competitors.

According to the Theory of Planned Behavior (Ajzen, 1991), three major factors: attitudes, subjective standards, and perceived behavioral control, have an impact on a person's intention to carry out an activity, such tax compliance. In the case of cosmetology micro-enterprises, the owners' attitude refers to the owner's beliefs about the advantages or disadvantages of paying taxes. The positive views may have an impression of compliance, while the negative perceptions may make tax payment avoidance possible. The subjective norms are also a pivotal aspect that is responsible for compliance behavior, which primarily serve as social pressures that impact one's choice to take part in compliance behavior. This includes social burden or the will of others like relationships with co-workers, partners, and the public. On the contrary, perceived behavior control depicts a person being convinced that they possess the power to carry out a tax obligation, both their knowledge of tax laws and the power to find necessary resources. Lack of the proper information or contribution to finance is a reason that makes the person not comply in most cases. The Theory of Planned Behavior states that the core changes that need to be made to the tax compliance of the concerned entity are found in those three key factors. The methods for doing this include programs for education, taxes that are made simpler, and companies that promote social norms in favor of compliance.

Conceptual Framework

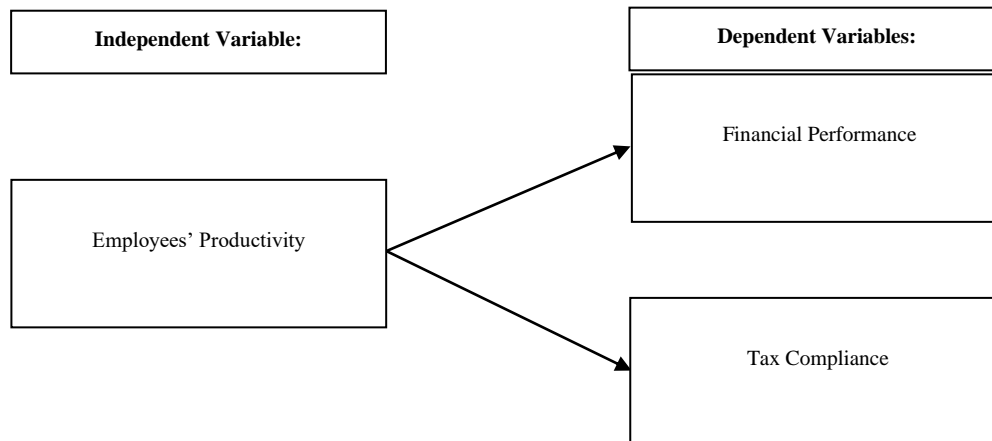


Figure 1. *Paradigm of the Study*

The framework displays two main components: independent and dependent variables, with the employees' productivity as the independent variable, and financial performance and tax compliance as the study's dependent variable. The arrow components thus represent the directional influence.

This framework's purpose is to find the influence of employees' productivity (IV) on the financial performance (DV) and tax compliance (DV) of Cosmetology Industry Micro- Enterprises Owners in Baliwag City, Bulacan.

Research Questions

This study aims to determine how employees' productivity influences financial performance and tax compliance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. The data that will be gathered will help the researchers achieve the main objectives of this study. This study will answer the following questions:

1. Business Profile
2. How may employees' productivity be described?
3. How may the financial performance of cosmetology industry micro-enterprises owners be described?
4. How may the tax compliance of cosmetology industry micro-enterprises owners be described?
5. Does employees' productivity significantly influence the financial performance of cosmetology industry micro-enterprises owners?
6. Does employees' productivity significantly influence tax compliance of cosmetology industry micro-enterprises owners?

Hypotheses

H0: Employees' productivity does not significantly influence the financial performance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan.

H0: Employees' productivity does not significantly influence tax compliance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan.

Significance of the Study

This study aims to determine how employees' productivity influences the financial performance and tax compliance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. The study will be beneficial to the micro-enterprises' owners, the cosmetology business' owners, employees, the government, and future researchers.

For micro-enterprises' owners, in general, this study will provide them a better understanding and knowledge of the circumstances of the shared similarities in managing a business enterprise with their fellow micro-enterprise owners regardless of their industry type. This study will also provide general insights into the significant influences of employees' productivity in the business, specifically in dealing with their financial performance and tax compliance assessments.

For the cosmetology micro-enterprises' owners, as they are the primary focus of this study, this will provide insights into how their employees' productivity influences their business's financial stability and tax compliance. This study may be a basis for them to address problems relating to the

productivity of the employees as it significantly influences the aforementioned factors. They are also the ones who bear responsibility for their subordinates, in which this study provides greater insight into how these various factors affect the organization.

For employees, as they are also correlated with the focus of this study, this will help them understand the importance of productivity in maintaining the financial health and legal compliance of the business with their skill contributions.

For the government, as they are the ones responsible for the promulgation of tax policies, this study may assist in formulating programs that support micro-enterprises such as the cosmetology industry. This study also provides insights into how employees' productivity influences tax compliance among micro-enterprises, in which their population also has a significant percentage in the other industry sectors, comprising specifically and mainly the personal services activities or beauty industry as presented in the previous data in this study.

Lastly, this study will be beneficial for future researchers as they may use this study as a foundation for further exploration of employees' productivity, financial performance, and tax compliance in micro-enterprises.

Scope and Delimitations

This study is aimed to determine how employees' productivity influences the financial performance as well as the tax compliance of the cosmetology industry micro enterprises owners in Baliwag City, Bulacan. Financial performance and tax compliance are the dependent variables; and productivity of employees is the independent variable. The study is limited to micro-enterprises in the cosmetology industry within the specified area, Baliwag City, Bulacan. The researchers adopted a purposive sampling technique as this technique selected participants depending on demographic characteristics and the study's objectives.

The purpose of this study is to determine how employees' productivity influences the financial performance and tax compliance of the owners of cosmetology industry micro- enterprises, as this will help the owners establish their workforce in accordance to the specific goals they want to achieve for better and improved financial performance, and to enhance their tax compliance practices as well, leading to greater economic contributions.

The studies' participants are the owners of a micro-enterprise industry cosmetology in the city of Baliwag City, Bulacan. It was conducted from February 17, 2025, to February 20, 2025. It employed a quantitative correlational research design to describe the productivity of the employees, the financial performance, and the tax compliance in cosmetology industry micro-enterprises in Baliwag City, Bulacan and to identify the relationship between productivity of the employees on the financial performance and tax compliance.

A 4-point Likert scale survey questionnaire was used as a primary data collection tool in order to gather quantitative data. The research instrument was designed to collect quantitative data from owners of micro-enterprises in cosmetology industry within Baliwag City, Bulacan. This instrument was adopted from "Development of an Individual Work Performance Questionnaire", Koopmans et al., 2013; "Measuring business performance: A case study", Garg et al., 2004; and "Categorizing Taxpayers: A Mixed-Method Study on Small Business Tax Compliance in the Philippines" Angeles, 2021.

Likert scales were also used consistently for all the items. The researchers used statistical analysis tools, specifically descriptive and inferential statistics, to analyze the data gathered. Frequency distribution was used to summarize the business profiles. Weighted mean was used to derive the verbal interpretation of the data to describe employees' productivity, financial performance, and tax compliance. While p-value was used to examine if there was a significant influence between the independent and dependent variables.

Methods

Research Design

The research design employed in this study was quantitative correlational type of research design where it seeks to investigate the influence of employees' productivity (independent variable) on the financial performance (dependent variable) and tax compliance (dependent variable) of micro-enterprises in the cosmetology industry in Baliwag City, Bulacan. A structured survey questionnaire, broken down into sections on business profile, employees' productivity, financial performance, and tax compliance, was utilized in collecting data. A 4-point Likert Scale was used consistently to measure responses to ensure that there is consistency in data collection and analysis. The use of a structured approach ensures that the influence of employees' productivity on financial performance and tax compliance will be understood.

Respondents

The respondents in this study are cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. The researchers have adopted and utilized a purposive sampling technique among the study's respondents. The purposive sampling technique is a non-probability sampling method in which respondents are selected depending on demographic characteristics and the study's objectives. Judgmental, selective, or subjective sampling are all terms used to describe purposive sampling method. This sort of sampling strategy may be quite effective in instances when it is needed to get a certain sample fast and proportionality isn't a major consideration. The technique also ensures that all in the population has a chance to be chosen in study.

Instrument

The instrument in this study was designed to collect quantitative data from owners of micro-enterprises in cosmetology industry within Baliwag City, Bulacan and was adopted from "Measuring business performance: A case study", Garg et al. (2004) and "Categorizing Taxpayers: A Mixed-Method Study on Small Business Tax Compliance in the Philippines", Angeles (2021). 4-point Likert scales were also used consistently for all the items.

The structured research questionnaire is divided into four sections, particularly, I. Business Profile, II. Employees' Productivity Level in the Workplace, III. Financial Performance Level, and IV. Tax Compliance Practices.

Each section of the instrument is comprehensively aligned with the objectives of the study, with indicators for employees' productivity and its influence on business performance and tax compliance of micro-enterprises in cosmetology industry.

The reliability and validity of the construct in gathering data specific to answer all the research questions was pilot tested and was assessed using Cronbach's Alpha as the main criteria. The Employees' Productivity Level in the Workplace Questionnaire was composed of 10 statements with Cronbach α reliability measure of .92. Provided the Cronbach α reliability measure, the Employees' Productivity Level in the Workplace Questionnaire is accepted and highly recommended to use. The Financial Performance Level Questionnaire was composed of 9 statements with Cronbach α reliability measure of .94. With the Cronbach α reliability measure, the Financial Performance Level Questionnaire is accepted and highly recommended to use. Finally, the Tax Compliance Practices Questionnaire was composed of 6 statements with Cronbach α reliability measure of .64. Provided the Cronbach α reliability measure, the Tax Compliance Practices Questionnaire is accepted and recommended to use.

Data Gathering Procedure

The researchers have adopted sets of instruments to ensure competent and reliable data will be provided by the survey. The actual survey was validated by the 3rd year Accountancy students at National University Baliwag, using google forms to ease the collection of data. After the validation, but prior to the conduction of the survey, the researchers wrote a letter to the academic director of National University Baliwag informing him of the researchers' intention to conduct a survey in the municipality of Baliwag City, Bulacan. After the acceptance of the academic director, the researchers proceeded to conduct the survey face-to-face using printed copies of the instrument to the respondents using the respondents' information provided by the Business Center in Baliwag City, Bulacan. The researchers waited for the respondents to finish the survey which took a minimum of five minutes and maximum of 10 minutes to answer and was satisfied after the sample size of the population was met.

Data Analysis

Following the distribution of the Likert Scale survey questionnaires, the quantitative data collected by the researchers was evaluated using statistical analysis tools. Descriptive and inferential statistics were used to analyze and validate the study's hypotheses based on the data obtained.

The researchers collected the respondents' responses and computed its frequency distribution, weighted mean, overall mean, standard deviation, Pearson correlation coefficient, and p-value. The business profiles were summarized by the researchers using frequency distribution. Moreover, the researchers applied the weighted mean of each item to achieve the verbal interpretation of the data to reflect employees' productivity, financial performance, and tax compliance. Lastly, p-value was applied to determine whether there existed a significant influence between the independent and dependent variables. This interpretation scheme was a method for the researchers to check the reliability of the research findings.

Ethical Considerations

The study was pursued strictly in accordance with the provisions of the Republic Act No. 10173 or the Data Privacy Act of 2012, particularly, with regard to the justifications for treating information and data submitted by the respondents as personal information. The researchers require the consent of the respondents in order for them to participate in the research.

The research is to be conducted in line with the regard of Data Privacy Act of 2012 to ensure the data collected had only been made for research purposes, apart from the respondents' rights and liabilities of the researchers, and an option for respondents to refuse participation in the research.

Results and Discussions

Tables containing the findings and interpretations of the data are contained in this chapter. Data collected on employees' productivity on financial performance and tax compliance are representatives of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. To describe participants responses, descriptive statistics were used, and to test relation, inferential statistics, such as correlational analysis, were used between employees' productivity and financial performance and tax compliance.

Business Profile**Table 1.***Breakdown of the Age of Business of the Respondents*

Age of Business	Frequency	Percentage
1-3	25	75.8 %
4-6	6	18.2%
7-9	1	3.0 %
15 and above	1	3.0 %
Overall	33	100%

Table 1 shows the age distribution of the respondents' business in which 75.8% of respondents or 25 out of the 33 responses have been operating for one to three years, followed by 18.2% or 6 out of 33 of the respondents' businesses have been operating for four to six years. Lastly, Table 2 shows that three percent or 1 out of 33 of respondents' business have been operating for seven to nine years, and other three percent or 1 out of 33 have been operating for 15 years and above.

The data provided shows that Cosmetology Industry Micro-enterprises in Baliwag, Bulacan can be interpreted as an industry with a high level of turnover and an industry that struggles with longevity.

Table 2.*Breakdown of the Number of Employees of the Business*

Number of Employees	Frequency	Percentage
1-3	26	78.8 %
4-6	7	21.2 %
Overall	33	100%

Table 2 shows the distribution of the number of employees of the respondents' businesses in which 78.8% or 26 out of 33 of the respondents' business number of employees are one to three employees, followed by 21.2% or 7 out of 33 or the respondents' business number of employees are four to six.

The data provided can be interpreted as cosmetology industry micro-enterprises employ few employees to lower costs since most micro businesses have limited capital and limited capacity in the store.

Employee Productivity

Employee Productivity refers to the ability of employees to finish tasks effectively in a given timeframe without sacrificing the quality of their work. It plays a crucial role in the success of businesses, particularly micro-enterprises, whose workforce directly affects their performance.

Table 3.*Summary of Responses on Employees' Productivity Level in the Workplace*

Employees' Productivity Level in the Workplace		1	2	3	4	Mean	SD	VI	
1. My employees can fulfill their responsibilities.	%	3.0%	3.0%	24.2%	72.7%	24	3.67	0.65	A
	n	1	1	8					
2. My employees' collaboration with others goes well.	%	3.0%	3.0%	30.3%	63.6%		3.55	0.71	A
	n	1	1	10	21				

3. My employees take the initiative when there is a problem to be solved.	%	3.0%	3.0%	42.4%	51.5%	3.42	0.71	A
	n	1	1	14	17			
4. They start new tasks themselves, when their previous tasks are finished.	%		6.1%	36.4%	57.6%	3.52	0.62	A
	n		2	12	19			
5. They try to learn from the feedback they get from others on their work.	%	3.0%	36.4%	60.6%		3.58	0.56	A
	n	1	12	20				
6. They learn new skills to improve their performance.	%	6.1%	33.3%	60.6%		3.55	0.62	A
	n	2	11	20				
7. They handle multiple tasks efficiently when priorities shift.	%	12.1%	42.4%	45.5%		3.33	0.69	A
	n	4	14	15				
8. They can cope well with difficult situations or setbacks at work.	%	6.1%	48.5%	45.5%		3.39	0.61	A
	n	2	16	15				
9. They remain calm and productive under pressure.	%	6.1%	42.4%	51.5%		3.45	0.62	A
	n	2	14	17				
10. They remain positive when faced with workplace challenges.	%	3.0%	42.4%	54.5%		3.52	0.57	A
	n	1	14	18				
Overall						3.5	0.64	A

Legend:	Rating	Verbal Interpretation	
	3.25- 4.00	Always	A
	2.50- 3.24	Often	O
	1.75- 2.49	Sometimes	ST
	1.00 -1.74	Seldom	SD

Table 3 presents the descriptive measures of the employees' productivity in cosmetology industry micro-enterprises. The data gathered shows that respondents' employees are fulfilling their given tasks or responsibilities. Statement 1, "My employees can fulfill their responsibilities", has the highest mean of 3.67 and a standard deviation of 0.65. The frequency distribution shows that 72.7% or 24 owners "Always" observe that their employees are fulfilling their responsibilities, 24.2% or 8 owners "Often" observe that their employees are fulfilling their responsibilities, and 3% or 1 owner "Seldomly" observe that their employees are fulfilling their responsibilities. This implies that employees are performing well and finish the tasks assigned to them by their owners.

On the other hand, the lowest mean of 3.33 and a standard deviation of 0.69 was achieved by Statement 7, "They handle multiple tasks efficiently when priorities shift". The frequency distribution shows that 45.5% or 15 owners "Always" observe their employees can handle multiple tasks efficiently when priorities shift, 42.4% or 14 owners "Often" observe that their employees can handle multiple tasks efficiently when priorities shift, and 12.1% or 4 owners "Sometimes" observe that their employees can handle multiple tasks efficiently when priorities shift. This implies that shifting of priorities that causes multiple tasks is not a burden to most of the employees and that they can still work productively even though faced with these kinds of challenges.

With an overall mean of 3.5 and a standard deviation of 0.64, the results show that most of the respondents observe that their employees are "Always" productive in their workplace. Cosmetology industry micro-enterprise owners consistently observe that their employees' productivity remains steady and reliable, reflecting positively on their work environment and management practices.

Financial Performance

Financial performance reflects how a business manages well its financial resources over a specific period. The factors that will help determine the performance of an entity are through their sales, market shares, return on assets, after-tax return on assets, net profits after taxes, and financial liquidity. Other non-financial factors that influence the performance level of a business are the public perception which includes the business reputation and the

customer feedback and loyalty. Financial performance will not just show how profitable a business is but will also help in the management and decision making of the owners of their companies.

Table 4.

Summary of Responses on Financial Performance Level

Financial Performance Level		1	2	3	4	Mean	SD	VI
1. Our sales growth	% n		3.0% 1	51.5% 17	45.5% 15	3.42	0.56	MB
2. The market share gains by us	% n		3.0% 1	33.3% 11	63.6% 21	3.61	0.56	MB
3. Our return on assets	% n		3.0% 1	39.4% 13	57.6% 19	3.55	0.56	MB
4. The after-tax return on assets	% n		3.0% 1	42.4% 14	54.5% 18	3.52	0.57	MB
5. The net profits after taxes	% n		3.0% 1	51.5% 17	45.5% 15	3.42	0.56	MB
6. Our financial liquidity	% n		3.0% 1	36.4% 12	60.6% 20	3.58	0.56	MB
7. Our public image	% n	3.0% 1		39.4% 13	57.6% 19	3.52	0.67	MB
8. Our customer compliments	% n			33.3% 11	66.7% 22	3.67	0.48	MB
9. Our customer loyalty	% n			39.4% 13	60.6% 20	3.61	0.50	MB
Overall						3.54	0.56	MB

Legend:	<i>Rating</i>	<i>Verbal Interpretation</i>
	3.25- 4.00	Much better than competitors
	2.50- 3.24	Better than competitors
	1.75- 2.49	Worse than competitors
	1.00 -1.74	Much worse than competitors

Table 4 shows the descriptive measures of the financial performance level of cosmetology industry micro-enterprise owners. The table indicates that respondents believe that their financial performance is much better than their competitors. The highest mean is observed at statement 8, "Our customer compliments", with a mean of 3.67 and standard deviation of 0.48. The frequency distribution illustrates that 33.3% or 11 owners believe that regarding customer compliments, their businesses are "Better Than Competitors." In contrast, 66.7% or 22 owners, believe that they are "Much Better Than Competitors." It is a strong implication that these businesses are connected and are getting good feedback from their customers.

The lowest mean is observed at statement 1, "Our sales growth", with a mean of 3.42 and standard deviation of 0.56, and statement 5, "The net profits after taxes", with a mean of 3.42 and standard deviation of 0.56. The frequency distribution for statement 1 "Our sales growth" shows that 3.0% or 1 owner believes that they are "Worse Than Competitors", 51.5% or 17 owners believe that they are "Better Than Competitors", and 45.5% or 15 owners believe that they are "Much Better Than Competitors". On the side of the statement 5 "The net profits after taxes", the frequency distribution shows that 3.0% or 1 owner believes that they are "Worse Than Competitors", 51.5% or 17 owners believe that they are "Better Than Competitors", and 45.5% or 15 owners believe that they are "Much Better Than Competitors", which is exactly same as their thought regarding the sales growth of the company. The results imply that despite receiving the lowest rate, the sales and profitability of their businesses are still much better than their competitors'.

The overall mean of 3.54 and a standard deviation of 0.56, suggests that the cosmetology industry micro-enterprise owners strongly believe that they have a much higher leverage than their competitors. Such results indicate that the respondents perceive themselves as having a substantial advantage in the industry, which could influence their strategic decisions and operations.

Tax Compliance

Tax compliance is essential for economic stability, as it guarantees that governments will have revenue required to finance public services and infrastructure. However, a study by Appiah, Domeher, & Agana (2024), discovered that compliance is subject to variations based on tax knowledge, tax fairness and trust among small and medium enterprises (SMEs). This variance in compliance can have a substantial influence on SMEs' sustainability and financial health considering non-compliance can result in fines, legal repercussions, and reputational damage (Griswold, 2024; Tax Extension, 2025). On top of that, SMEs usually face such issues like limited resources, complicated tax regulations, and administrative burdens, which are likely to hinder them to meet their tax burdens efficiently (Scholtz, 2024). Targeted policy measures, improved tax education, and simplified procedures can ensure that these issues are addressed and attain higher compliance rates as well as a more supportive business environment.

Table 5.

Summary of Responses on Tax Compliance Practices

Tax Compliance Practices		1	2	3	4	Mean	SD	VI
1.	I personally compute my taxes.	3.0% ¹	12.1% ⁴	12.1% ⁴	72.7% ²⁴	3.55	0.83	SA
2.	I have an accountant who files my taxes.	51.5% ¹⁷	12.1% ⁴	3.0% ¹	33.3% ¹¹	2.18	1.38	D
3.	I submit tax reports and compliance on time.		3.0% ¹	12.1% ⁴	84.8% ²⁸	3.82	0.47	SA
4.	I am fully aware of my tax obligations.		3.0% ¹	9.1% ³	87.9% ²⁹	3.85	0.44	SA
5.	I decide on my tax payments.			24.2% ⁸	75.8% ²⁵	3.76	0.44	SA
6.	I have full knowledge of tax in the Philippines.			15.2% ⁵	84.8% ²⁸	3.85	0.36	SA
Overall						3.50	0.38	SA

Legend:	<i>Rating</i>	<i>Verbal Interpretation</i>	
	3.25- 4.00	Strongly Agree	SA
	2.50- 3.24	Agree	A
	1.75- 2.49	Disagree	D
	1.00 -1.74	Strongly Disagree	SD

Table 5 shows the descriptive metrics of respondents' tax compliance practices. The highest mean response was obtained on statement 4, "I am fully aware of my tax obligations." and statement 6, "I have full knowledge of tax in the Philippines." both with a mean of 3.85 and standard deviations of 0.44 and 0.36, respectively. Such result implies that 87.9% or 29 of those who responded for tax obligations and 84.8% or 28 for tax knowledge adequately understand their tax duties and demonstrate a highest level of tax awareness. This awareness is required to ensure compliance, prevent financial penalties, and help support to economic stability for the purpose of generating revenue in public services and infrastructure. This assertion has been provided with evidence from a study on the micro and small firms in Bacolod City, Philippines, by Paco et al. (2023), which concluded that improved educational attainment and increased tax awareness significantly influence the level of tax compliance by firms.

In contrast, statement 2, "I have an accountant who files my taxes.", recorded the lowest mean of 2.18 and a standard deviation of 1.38. While some individuals seek assistance from accountants to deal with their tax matters, the majority prefer to handle it themselves, as revealed by the high

standard deviation, which indicates that 51.5% or 17 respondents strongly disagreed, and 33.3% or 11 respondents agreed. This self-filing alternative could be either grounded based on individual familiarity with tax laws or financial limitations in paying for expert services.

Moreover, respondents to the study generally viewed themselves as well-informed and responsible to meet tax dues. This is reflected through the overall mean rating of 3.50 with a standard deviation of 0.38, and verbally translated into “Strongly Agree (SA)”. Such findings reveal high level of confidence and consistency in their awareness of tax obligations. The digitalization of the Bureau of Internal Revenue (BIR) efforts, therefore, reaching 90% of tax filing conducted through the internet, are the best examples of initiatives to ease tax procedures and enhance compliance (BIR, 2024).

In general, the information indicates that the respondents are well-educated and responsible in managing their taxes. Their different views regarding the need for accountants, even with their sound understanding of tax legislation and responsibilities, indicate that individuals respond to tax preparation differently. This highlights the necessity of effective policy measures, improved taxation education, and efficient tax processes to encourage compliance and enhance the business environment.

Table 6.

Correlation between Employees' Productivity and Financial Performance and Tax Compliance of Cosmetology Industry Micro-Enterprises Owners in Baliwag City, Bulacan

Employee Productivity	r	p-value	Interpretation	Decision
Financial Performance	0.634**	<.001	Highly Significant	Reject Ho
Tax Compliance	0.134	0.459	Not Significant	Do not Reject Ho

Note: Correlation is significant at * $p < .05$, ** $p < .01$, *** $p < .001$

Table 6 shows the result of the Pearson's r correlation in which the employee productivity has a highly significant influence on the financial performance with a Pearson correlation coefficient score of 0.634 and a p-value of <.001 which is lower than the alpha value of 0.01 that lead to the rejection of the null hypothesis. In Tax Compliance the Pearson correlation coefficient score is 0.134 and a p-value of 0.459 which is greater than the alpha value of 0.05 which results in the failure to reject the null hypothesis. Therefore, as employee productivity increases the financial performance follows. The result solidifies the arguments of Becker (1994) stating that employee's skill, knowledge, and productivity have a huge contribution to a company's growth and success and Barney (1991) stating that a firm can gain a competitive advantage by leveraging unique internal resources, including human capital. In Tax compliance, as employee productivity goes up there is no significant increase or decrease in the tax compliance of the respondents. This contradicts the theory of planned behavior by Ajzen (1991) which states that other factors can affect the tax compliance of a business.

Summary of Findings

The purpose of this study is to find the influence of employee productivity toward financial performance and tax compliance of cosmetology industry micro-enterprise owners in Baliwag City, Bulacan

Using the researchers' methodology described in the preceding pages, here are the findings and the answer to the research questions: (Business Profile) The study surveyed 33 cosmetology business micro-enterprise owner which shows in terms of the age the business that 75.8% operate for one to three years, 18.2% for five to six years, 3% for seven to nine year and, another 3% that operated for 15 years and beyond. In terms of the number of employees, 78.8% have one to three employees and 21.2% employ four to six employees. This shows that cosmetology industry micro-enterprises suffer from longevity, sustainability and favor newer businesses. It should be important to create a system or policies that can help these kinds of businesses. The data also shows that cosmetology industry micro-enterprises employ few employees due to limited capital or a limited capacity in the store.

(How may employees' productivity be described?) (Accordingly, item number 1 obtained the highest mean response ($\bar{x}=3.67$ "Always") as such, cosmetology industry micro-enterprises owners 'always' observe their employees fulfill their responsibilities.) According to the findings, cosmetology industry micro-enterprises owners always observe that their employees can fulfill their responsibilities. It shows that owners have a positive perception towards their employees. The employee's productivity is due to the fact that most of cosmetology industry micro-enterprises in Baliwag, Bulacan employ few employees to save on cost meaning those few employees can only be idle when there are no customers.

(How may the financial performance of cosmetology industry micro-enterprises owners be described?) (Accordingly, item number 8 obtained the highest mean response ($\bar{x}=3.678$ "Much better than competitors") as such, cosmetology industry micro-enterprises owners believed that they have a 'much better' sales growth than competitors.) According to the findings, cosmetology industry micro-enterprises owners believe that they have a much better sales growth than competitors. It shows owners have a positive perception of their financial performance. This is due to the competitive marketing adopted by the owners such as discounts and offering lower prices than competitors.

(How may the tax compliance of cosmetology industry micro-enterprises owners be described?) (Accordingly, item number four and six obtained the highest mean response ($\bar{x}=3.85$ "Strongly Agree" and item number two obtained the lowest mean response ($\bar{x}=2.18$ "Disagree") as such, cosmetology industry micro-enterprises owners "strongly agree" that they are fully aware of their tax obligations and have full knowledge of tax in the Philippines

and they “disagree” that they have an accountant who files their taxes.) According to the findings, cosmetology industry micro-enterprises owners strongly agree that they are fully aware of their tax obligation and have full knowledge of tax in the Philippines. It shows that owners are aware of the importance of tax compliance. Also, according to the findings, cosmetology micro-enterprises owners disagree that they have an accountant who file their taxes. The reason for this is the simplicity of the tax computation due to the business size and hiring an accountant will incur more cost.

(Does employees’ productivity significantly influence the financial performance of cosmetology industry micro-enterprises owners?) (Employees’ productivity explained a “highly significant influence” on the financial performance of cosmetology industry micro-enterprises owners) According to the findings, employees’ productivity has a highly significant influence towards the financial performance of cosmetology industry micro-enterprises owners. It is evident that a high level of employee productivity greatly contributes to the level of financial performance of the business.

(Does employees’ productivity significantly influence tax compliance of cosmetology industry micro-enterprises owners?) (Employees’ productivity explained “no significant influence” towards the tax compliance of cosmetology industry micro-enterprises owners) According to the findings, employees’ productivity has no significant influence towards the tax compliance of cosmetology industry micro-enterprises owners. The reason for the result is due to the importance of tax compliance in the Philippines since the result of non-compliance can greatly affect the going concern of the business.

Conclusion

Based on the significant findings of this study, it is therefore concluded that: The findings revealed that most of the cosmetology industry micro-enterprises are just only in the operations for one to three years, which suggests a lack of longevity, sustainability, and a preference for newer businesses. Most of the cosmetology industry micro-enterprises only started a few years ago but there are also few that successfully continue their operations for a longer period. The data also shows that cosmetology industry micro-enterprises employ few employees. It implies that the store lacks sufficient capital or capacity to employ a larger number of employees. The Cosmetology industry micro-enterprises owners always observe that their employees fulfill their roles and responsibilities. It shows that owners have a positive perception towards their employees. The respondents’ employees are always doing their job effectively and efficiently. The cosmetology industry micro-enterprises owners believe that they have experienced much better sales growth compared to their competitors. It implies that owners have a favorable view of their financial performance. The financial performance of the respondents is much better than that of their competitors. The cosmetology industry micro-enterprises owners strongly agree that they have full knowledge of tax in the Philippines and are fully aware of their tax obligations. It shows that owners are aware of the importance of tax compliance. The respondents are knowledgeable and responsible about tax-related matters. The findings also showed that cosmetology micro-enterprises owners disagree that they have an accountant who files their taxes. This suggests that since the tax computation is simple due to its size, hiring an accountant will incur more costs, making it better not to hire one. The respondents are responsible for their own tax obligations and do not rely on an accountant, preferring to manage their taxes independently. The employees’ productivity does significantly influence the financial performance of the cosmetology industry micro-enterprises in Baliwag City, Bulacan, however, it does not significantly influence their tax compliance. Thus, rejecting the first null hypothesis which can be supported by the findings of the study.

Human Capital Theory (Becker, 1964), Resource-Based View (Barney, 1991), and Theory of Planned Behavior (Ajzen, 1991) help perceive the results on employees’ productivity on financial performance and tax compliance of cosmetology industry micro-enterprises owners in Baliwag City, Bulacan. The Human Capital Theory focused on investing in employee’s skills and knowledge so as to achieve productivity and performance. The Resource-Based View highlights the internal resources’ value such as skilled employees and effective financial management which are a great way to get a competitive edge and sustainability. Attitudes, norms, and perceived control are all explained by the Theory of Planned Behavior and given to help explain tax compliance. Integration of these theories enables the cosmetology industry micro-enterprises owners to strategies in favor of better employee productivity, financial performance, and tax compliance, thereby leading to a sustainable growth in the competitive market.

Most of the cosmetology industry micro-enterprises last for short periods of time due to market competition, change in consumer tastes, or financial difficulties. Capital resources and operational capabilities are also limited which causes small workforces. In spite of such situations, owners believe that their employees work effectively and are motivated. Further, they favor their financial performance over competitors, thus suggesting a competitive industry success. In addition, owners are independent in managing their tax liabilities, implying resourcefulness and competence. Keeping this in mind, regulators need simplified provision of tax processes to enable them to handle their tax compliance adequately. Overall, the sector is resilient yet challenged, requiring strategic support for sustainability and growth.

Recommendation

Therefore, out of the findings, these are the recommendations formulated to make the scope broader in order to strengthen knowledge and to completely understand the discussion.

1. The cosmetology industry micro-enterprise owners should consider the diversification of their services and develop marketing strategies to gain customer retention more frequently and effectively. Furthermore, as findings conclude that employee productivity significantly influences financial performance, cosmetology industry micro-enterprise owners should implement training programs that aim to further enhance their employees’ skills and efficiency at their work.

2. To ensure financial growth associated with building strong customer relationships, cosmetology industry micro-enterprise owners should also manage the business' financing effectively by using budgeting methods and various accounting practices accordingly, which can provide valuable insights regarding the business performance and current status essential for the decision making of the owners as to the businesses' next steps to take without putting on much risk than necessary.
3. To comply with tax obligations, as the cosmetology industry micro-enterprise owners demonstrate strong awareness of those, they should further improve compliance by attaining continuous education on tax incentives, deductions, and efficient tax filing. These can be supported by the next recommendation:
4. The government agencies should simplify tax compliance systems, provide digital platforms for easier tax filing, and develop programs that promote awareness as to tax laws and practices in order to encourage more businesses to comply with the rules and regulations.
5. Together with business support organizations, the government should also develop programs that aim to provide financial literacy training, mentorship, microfinancing programs that aid cosmetology industry micro-enterprises to enhance the business' longevity and sustainability in the growing market competition.
6. For future researchers, further studies should explore additional factors that could probably influence the cosmetology industry micro-enterprises' financial performance and tax compliance in order to gain more comprehensive insights regarding its operations and how the business can attain success and profitability in the long run. The present study can be interpreted as the first step to assessing employees' productivity on financial performance and tax compliance, however, the results were limited due to small sample size and time constraints. Thus, future studies should further examine and analyze comparative factors between competitors or expand more coverage as to the scope of the research to build on the current study's findings.

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