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FINANCIAL MANAGEMENT PRACTICES OF MICRO, SMALL, AND MEDIUM ENTERPRISES

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ABSTRACT

Micro, small, and medium enterprises (MSMEs) are a driving force of local economies, yet weak financial management often limits their survival and growth. Few studies have examined these practices in Bukidnon, and little is known about how practices vary across industries. This study uncovered the financial management practices, challenges, and requested interventions of MSMEs in Pangantucan, Bukidnon. An explanatory sequential mixed-methods design was used in two phases. In the quantitative phase, 295 MSMEs randomly selected from the 1,114 registered in Poblacion, Pangantucan, answered a modified version of the instrument of Anoos et al. (2020) (Cronbach's alpha = 0.87); data were analyzed using frequency, percentage, mean, and standard deviation. In the qualitative phase, a researcher-designed interview guide explored the practices MSMEs employ, the difficulties they encounter in daily business, and the interventions they hope the Local Government Unit (LGU) will provide. Nine purposively selected MSME owners were interviewed, together with a Department of Trade and Industry (DTI) Negosyo Center representative and a Sangguniang Bayan member. Qualitative data were analyzed through narrative and thematic analysis. MSMEs were predominantly sole proprietorships (92.2%) engaged in merchandising (72.5%), and 99.7% were micro-enterprises by capitalization. Recording (M = 2.54) and budgeting (M = 2.82) were moderately practiced, whereas reporting (M = 2.31) and inventory management (M = 2.38) were less practiced. Hiring an external bookkeeper or accountant (M = 1.71) was not practiced, and the use of technology such as a point-of-sale system to record stock was among the least practiced (M = 1.76). Owners requested interventions on fair price regulation and on capitalization through livelihood programs. Formal financial controls were neglected in favor of short-term survival, and blurred personal and business finances were seen as a critical obstacle. Given the role of MSMEs in the economy of Pangantucan, government agencies such as the DTI, through the Negosyo Center and in collaboration with the LGU, should facilitate practical seminars and training on simplified reporting, inventory systems, and the separation of business capital, so that MSMEs thrive and not merely survive.

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Keywords: *financial management practices; micro, small, and medium enterprises; MSMEs; recording; budgeting; reporting; inventory management; Pangantucan, Bukidnon*

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INTRODUCTION

Background of the Study

Financial management is essential for obtaining cash, distributing funds, and ensuring the effective and efficient use of funds to accomplish an enterprise's goals. It encompasses financial planning, decision-making, analysis, and control, and it is a vital functional area for the long-term success of any firm (Zada et al., 2021). It also involves project planning, implementation, and cost management to maximize earnings and growth (Aldhanhani, 2021), with management bearing the responsibility for funds (Gitman et al., 2021). For a small enterprise, in which the owner is usually also the manager, these functions translate into everyday routines: writing down sales and expenses, setting aside funds for known obligations, reporting to the government, and keeping track of stock.

Micro, small, and medium-sized enterprises (MSMEs) are the driving force in promoting an economy (Waweru & Ngugi, 2014), contributing tremendously to development, employment creation (Banupriya & Venkadesh, 2019), and technical innovation. In Kenya, for example, MSMEs are recognized as a major source of employment and a substantial contributor to national output (Erambo et al., 2016; Waweru & Ngugi, 2014). The importance of the sector is reflected in global development policy: the United Nations (2015) Sustainable Development Goals call for policies that support the growth of micro, small, and medium-sized enterprises, including through access to financial services. Studying MSMEs is therefore essential to enhance the socio-economic status of owners and workers (Anoos et al., 2020), and it aligns with the broader goal of promoting human capital development to elevate management skills (Cudia et al., 2019).

The Philippine economy is, in numerical terms, an economy of MSMEs. Based on the 2023 List of Establishments of the Philippine Statistics Authority, the Department of Trade and Industry (2024a) reported that 1,241,733 of the 1,246,373 establishments in the country (99.63%) were MSMEs. These enterprises employed 6,351,466 workers, or 66.97% of total employment, and micro enterprises alone accounted for about 90 percent of all establishments. Wholesale and retail trade was the largest MSME sector, accounting for 48.74% of enterprises in the Department's latest statistical infographic (DTI, n.d.). MSMEs are also commonly estimated to contribute about 40 percent of gross domestic product, although this is an estimate rather than a directly measured figure (Bangko Sentral ng Pilipinas [BSP], n.d.).

National policy has long recognized this role. Republic Act No. 9501 (2008), the Magna Carta for Micro, Small and Medium Enterprises, classifies enterprises by asset size (micro, up to PhP 3,000,000; small, PhP 3,000,001 to PhP 15,000,000; medium, PhP 15,000,001 to PhP 100,000,000, excluding land). Republic Act No. 9178 (2002) created the Barangay Micro Business Enterprises (BMBE) scheme, which grants income tax exemption to qualified enterprises with total assets of not more than PhP 3,000,000. Republic Act No. 10644 (2014), the Go Negosyo Act, established Negosyo Centers in provinces, cities, and municipalities to provide training, financing facilitation, and business registration services. The current national blueprint is the MSME Development Plan 2023–2028 (DTI, 2024b). These institutions form the support environment within which the DTI Negosyo Center and the Local Government Unit (LGU) of Pangantucan operate.

Despite this, related studies confirm that a lack of financial management knowledge frequently results in significant financial performance problems for micro and small enterprises (Barbosa, 2021), proving that these practices directly influence MSME success (Gawali & Gadekar, 2017). Pangantucan, Bukidnon offers a useful setting to examine the problem. Its commerce and trade area in Barangay Poblacion hosts 1,114 MSMEs registered with the Municipal Treasurer's Office as of 2021, most of which are expected to be small retail operations. To the authors' knowledge, few studies have documented how such enterprises record, budget, report, and manage inventory in Bukidnon.

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Review of Related Literature

Financial Management Practices of MSMEs: Philippine Evidence

The instrument adapted in this study comes from Anoos et al. (2020), who examined recording, budgeting, reporting, and inventory management among MSMEs in Danao City, Cebu. They found these practices to be moderately practiced and concluded that the firms did not follow generally accepted standards of financial management and control. They also reported a significant relationship between reporting practices and the estimated assets of the firms. In Tanauan, Leyte, Barbosa (2021) surveyed micro and small enterprises (97.26% of which were micro) and found that costing and budgeting were often practiced, whereas internal control, working capital management, and long-term financing were rarely practiced; the overall mean of 2.84 was interpreted as "sometimes." The author recommended that the DTI and the LGU review their programs and address gaps in financial management training.

More recent Philippine studies show a similar split between planning-related and control-related practices. Deligero and Ballados (2025) studied 136 food-retail micro and small enterprises in Enrique B. Magalona, Negros Occidental, and found a good grasp of costing and budgeting but only a weak link between practices and business performance, which the authors read as an implementation problem. In contrast, Singson et al. (2026) surveyed 384 DTI-registered micro and small enterprise owners and managers in Dasmariñas, Imus, and General Trias, Cavite, and reported high levels of practice, with inventory management as the most frequent practice. Because Cavite is a more urbanized and industrialized area than Bukidnon, differences in firm formality and market environment may account for part of the contrast with the present results.

International Evidence

Studies in other developing economies report comparable patterns. In Ghana, Musah et al. (2018) found that working capital management practices were the most widely used among SMEs, followed by accounting information and reporting, capital structure, and capital budgeting, and that all four were positively associated with profitability and growth. Waweru and Ngugi (2014) examined the influence of financial management practices on the performance of micro and small enterprises in Kenya, and Erambo et al. (2016) did so for firms in Busia Town, Kenya. Zada et al. (2021) studied the effect of financial management practices on the development of small-to-medium-sized forest enterprises in Pakistan. Gawali and Gadekar (2017) reviewed the literature on financial management in MSMEs, and Ahmad (2016) examined cash management in micro and small businesses in Malaysia. Ali et al. (2018) likewise studied the financial literacy of entrepreneurs in small and medium enterprises. Taken together, these studies indicate that financial management practices are widely linked to enterprise performance, but that their uptake among smaller firms is uneven.

Recording, Budgeting, Reporting, and Inventory Management

Recording. Accurate financial records are a precondition for financial planning (Brijlal et al., 2014; Dawuda & Azeko, 2015). Studies of small-scale businesses in Ghana, such as that of Dawuda and Azeko (2015) in the Bolgatanga Municipality, have reported weak record-keeping behavior even where owners recognize its importance. This suggests that the gap between knowing and doing, rather than a lack of awareness, may be the core problem.

Budgeting. Budgeting serves as an essential financial planning tool that enhances effectiveness (Subbotina, 2014) and helps avoid business failure (Klychova et al., 2014). Philippine studies repeatedly find budgeting and costing to be among the better-practiced activities of small firms (Barbosa, 2021; Deligero & Ballados, 2025), perhaps because these activities are closely tied to day-to-day survival.

Reporting and tax compliance. Financial reporting is the gathering and presentation of financial data to help users make well-informed decisions (Resmi et al., 2021). In practice, the reporting burden of micro-enterprises includes tax

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registration, receipting, and the keeping of books of accounts. Under the 8% income tax option available to self-employed individuals and professionals (Bureau of Internal Revenue [BIR], 2018), taxpayers are still required to keep books of accounts and issue receipts or invoices. More recently, Republic Act No. 11976 (2024), the Ease of Paying Taxes Act, simplified compliance for micro and small taxpayers, among others by providing a shorter income tax return and by removing the annual registration fee. Brijlal et al. (2014) found that more than half of the South African small, medium, and micro enterprises they studied relied on external accounting staff to prepare reports, and that most owners lacked the skills to interpret accounting information. Outsourcing of reporting is therefore common in some contexts and, as this study shows, almost absent in Pangantucan.

Inventory management. Inventory management affects financial performance by controlling stock levels and expenditures (Plinere & Borisov, 2015); in its basic sense it means meeting demand while avoiding overstock and the costs of holding unnecessary inventory. In a study of SMEs in the Northern Region of Ghana, Kasim et al. (2015) found that firms reviewed stock levels and prepared inventory budgets but rarely applied formal inventory techniques; 88.2% set stock levels on the basis of the owner-manager's experience. Peer-reviewed Philippine evidence on the adoption of point-of-sale systems or digital bookkeeping among micro retailers appears to be thin, so descriptive evidence on technology use in this setting is a contribution of the present study.

Financial Literacy and the Effect of Training

Because knowledge gaps are widely seen as the reason for weak practice, training is the standard policy response. The evidence on its effectiveness is mixed, however. In a randomized trial among micro-entrepreneurs in the Dominican Republic, Drexler et al. (2014) compared standard accounting training with a simple rule-of-thumb course that emphasized keeping business and household money separate. The simple course improved financial practices, reporting quality, and revenues, particularly among less-skilled owners, whereas standard accounting training had little effect. A critical review by McKenzie and Woodruff (2014) similarly concluded that most business training evaluations in developing countries are small and short-term and that effects on the survival of existing firms are modest. The literature also suggests that MSME owners often appear to lack knowledge of, and fail to apply, financial management techniques despite having taken financial management training (Brijlal et al., 2014). These findings suggest that the content and format of training, and not only its availability, determine whether it changes behavior.

Mixed Personal and Business Funds, Capitalization, and Access to Finance

Fund utilization outside business transactions, that is, the mixing of personal and business money, is a recurring problem in micro-enterprises because it diverts capital that could otherwise support growth. The separation of business and household funds was the central rule behind the effective intervention in Drexler et al. (2014). Capital is a closely related constraint. Informal lenders known as "5-6" lenders, who charge a nominal 20% over a short agreed period, serve the most marginal micro-enterprises in the Philippines (Kondo, 2003), and ambulant vendors without collateral in Tacloban City have been described as caught in a "loan trap" with such lenders (Dula & Grego, 2015). The government's main alternative is the Pondo sa Pagbabago at Pag-asenso (P3) program of the Small Business Corporation, which requires no collateral but charges interest and fees of up to 2.5% per month all-in (Small Business Corporation [SB Corporation], n.d.). Mandated lending to MSMEs under Section 15 of RA 9501, which required lenders to set aside part of their loan portfolios for micro and small enterprises, ran for ten years from the law's effectivity, that is, until 2018. These conditions help explain why small owners may seek grants rather than loans.

Price Competition and Price Regulation

Price competition among small retailers is a concern commonly voiced by owners. The Philippine Price Act (Republic Act No. 7581, as amended by Republic Act No. 10623) addresses prices only for listed basic necessities and prime commodities, mainly through automatic price freezes in areas under a state of calamity, presidential price ceilings

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under specified conditions, and non-binding suggested retail prices issued by the DTI. It does not provide a general power to regulate the markups of ordinary retailers. Policy responses to owners' concerns about price competition therefore have to rely on tools such as suggested retail prices, market monitoring, and business support, rather than a general price bracket.

Sectoral Differences and the Research Gap

Although many studies have addressed the overall financial management practices and performance of MSMEs, a significant gap remains in understanding how these practices vary across various industries and sectors. The literature notes that few research studies have examined how financial management practices differ in sectors like merchandising, manufacturing, or retail. The Philippine studies reviewed above focus largely on a single sector or on enterprises in general, and none of them, to the authors' knowledge, specifically contrasts practice levels across sectors using the four-dimension instrument adopted here. Knowing these variations is essential for MSME managers to adjust procedures to industry demands, enhancing their success and financial performance. Furthermore, research on this subject is needed to aid policymakers in creating MSME support programs and industry-specific financial management guidelines.

Theoretical Underpinnings

Several established theories help interpret the expected pattern of practices. Pecking order theory (Myers & Majluf, 1984) explains why owners tend to rely on personal savings and avoid external finance, which is consistent with the capital constraints discussed above. Agency theory (Jensen & Meckling, 1976) implies that many formal controls and reports exist to align the interests of owners and managers; in a sole proprietorship, the owner is the manager, so the incentive to maintain such controls is weaker. The resource-based view (Barney, 1991) treats financial management capability as a scarce internal resource that distinguishes firms. The theory of planned behavior (Ajzen, 1991) explains why attending training does not automatically change practice, since attitudes, social norms, and perceived control also shape behavior, and the Technology Acceptance Model (Davis, 1989) offers a lens for the low adoption of technologies such as point-of-sale systems. These theories are used in this paper as interpretive lenses and were not tested directly.

Conceptual Framework

This study on the financial management practices of MSMEs revolves around five concepts: (1) financial management, (2) financial reporting, (3) budgeting, (4) financial recording, and (5) inventory management. Financial management is a critical function that encompasses the effective management of the financial resources required for business operations, including raising capital, strategic allocation, and maximizing overall business value (Brigham et al., 2016). Financial reporting is the gathering and presentation of financial data to help users make well-informed decisions (Resmi et al., 2021). Budgeting acts as an essential financial planning tool to enhance effectiveness (Subbotina, 2014) and avoid business failure (Klychova et al., 2014). Financial records (Dawuda & Azeko, 2015) are crucial because their accuracy directly influences the effectiveness of financial planning (Brijlal et al., 2014). Inventory management is a challenging aspect that affects financial performance by controlling stock levels and expenditures (Plinere & Borisov, 2015).

The framework posits that the effective implementation of financial reporting, budgeting, financial recording, and inventory management, as sub-components of financial management, influences the overall success and financial viability of MSMEs. In this study, the MSME profile describes the context, the four practice dimensions are measured quantitatively, and the challenges and requested interventions are explored qualitatively to explain the quantitative results.

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Statement of the Problem, Research Question, and Hypothesis

This study aims to identify the financial management practices and challenges and to examine the experiences of MSMEs. Specifically, it seeks to identify the various financial management practices employed by MSMEs, assess the business financial issues, and recommend strategies to manage their finances efficiently. The rationale is that the findings will help societal change by identifying specific skills and techniques that business owners may use to keep their enterprises profitable.

Specifically, the study sought to:

1. describe the profile of the MSMEs in terms of type of organization, nature of business, years of operation, number of employees, estimated start-up capitalization, estimated assets, and monthly income;
2. determine the level of financial management practices of MSMEs in terms of recording, budgeting, reporting, and inventory management; and
3. identify the financial management challenges experienced by MSMEs and the interventions they hope the Local Government Unit and other relevant agencies will provide.

The research question was: What are the financial management practices and challenges experienced by Micro, Small, and Medium Enterprises (MSMEs), and how do these practices vary across different industries and sectors?

The hypothesis was stated as follows: There is a significant difference in the financial management practices employed by Micro, Small, and Medium Enterprises (MSMEs) when comparing different industries and sectors (such as merchandising, manufacturing, and retail).

Significance of the Study

The findings are expected to benefit several groups. MSME owners may use them to benchmark their own practices and to identify the specific skills and techniques that keep enterprises profitable. The DTI, through the Negosyo Center, and the LGU of Pangantucan may use the localized data to design seminars, livelihood programs, and other support that match what owners actually practice and need. Policymakers may use them in crafting MSME support programs and industry-specific financial management guidelines. Academic institutions may integrate the findings into curricula and community extension work, and future researchers may use them as baseline data for comparative and explanatory studies.

Scope and Delimitation

The study was limited to MSMEs in the commerce and trade area of Barangay Poblacion, Pangantucan, Bukidnon, drawn from the 2021 registry of the Municipal Treasurer's Office. The quantitative phase covered four dimensions of financial management practice (recording, budgeting, reporting, and inventory management) and the profile of the enterprises. The qualitative phase involved nine MSME owners in retail businesses with at least three years of operation, one DTI Negosyo Center representative, and one Sangguniang Bayan member.

Definition of Terms

- *Micro, small, and medium enterprises (MSMEs).* Enterprises classified by asset size under RA 9501: micro, up to PhP 3,000,000; small, PhP 3,000,001 to PhP 15,000,000; medium, PhP 15,000,001 to PhP 100,000,000, excluding land. In this study, classification is based on estimated start-up capitalization as reported by the respondents.

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- *Financial recording.* The keeping of records of sales, expenses, inventory purchases, taxes and other payables, and receivables.
- *Budgeting.* Forecasting demand, projecting operating expenses, allocating and scheduling funds, and spending within income.
- *Financial reporting.* Reporting revenues to government, claiming input tax, preparing or outsourcing reportorial requirements, and filing returns and statements on time.
- *Inventory management.* Recording, counting, and projecting the stock of goods, including the use of technology such as a point-of-sale (POS) system.
- *Negosyo Center / Go Negosyo.* The DTI service desk for MSMEs established under RA 10644.

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METHODS

Research Design

The study utilized an explanatory sequential mixed-methods design consisting of two distinct phases, quantitative followed by qualitative (Creswell et al., 2003; Creswell & Plano Clark, 2018). Quantitative (numeric) data were collected and analyzed first. Qualitative (text) data were then collected so that they could help explain or elaborate on the quantitative results obtained in the first phase. The rationale for this approach is that quantitative data provide a general understanding of the research problem, while the qualitative data and their analysis refine and explain those statistical results by exploring participants' views in more depth (Rossman & Wilson, 1985; Tashakkori & Teddlie, 1998; Creswell, 2003). The design was appropriate because the survey could show *how much* each practice was used, while the interviews could show *why* owners practice finance as they do and what support they want.

Research Locale

The study was conducted in the municipality of Pangantucan, Bukidnon, specifically in the commerce and trade area of Barangay Poblacion.

Participants and Sampling

For the quantitative data, participants were randomly selected from the 1,114 MSMEs registered in 2021 and operating within Poblacion, Pangantucan, Bukidnon, based on records from the Municipal Treasurer's Office. The sample size was computed using Slovin's formula, $n = N / (1 + Ne^2)$, with a 5% margin of error and a 95% confidence level. Substituting $N = 1{,}114$ and $e = 0.05$ gives $n = 1{,}114 / (1 + 1{,}114 \times 0.0025) = 294.3$, which was rounded up to a final sample of 295. This value is also what the standard formula for estimating a proportion with finite-population correction yields at a maximum variability of $p = 0.5$ and 95% confidence (Tejada & Punzalan, 2012). The quantitative data source was the responses to the questionnaire.

For the qualitative data, nine MSME owners who had participated in the quantitative survey were purposively selected by the researcher. These owners had operated or owned the MSME for at least three years in the retail business and were located in Poblacion, Pangantucan, Bukidnon. Purposive selection of participants who had direct, sustained experience of running a retail MSME was intended to obtain information-rich cases that could explain the survey results. Additional participants included a Sangguniang Bayan member, who formulates municipal ordinances, and a Go Negosyo employee from the DTI, who personally coordinated seminars and workshops for MSMEs.

Data Sources

The primary quantitative data source was the responses of the 295 MSMEs to the modified questionnaire. The qualitative data source came from in-depth face-to-face interviews with the nine selected MSME owners, a phone call interview with the participant from the DTI, and a voice message sent via Messenger by the participant from the Local Government Unit sector. The researcher also used a copy of the registry of MSMEs from the Municipal Treasurer's Office to identify the target population.

Research Instruments

The core instrument was a modified questionnaire, adapted from the study conducted by Anoos et al. (2020) on the financial management of micro, small, and medium enterprises in Cebu, Philippines. The questionnaire had two parts. The first gathered the profile of the MSMEs (organization, nature of business, years of operation, number of employees, capitalization, assets, and monthly income). The second focused on measuring financial management practices in four dimensions, with five indicators each: recording, budgeting, reporting, and inventory management.

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In addition, an interview guide was used, formulated on the basis of the quantitative findings. Part 1 of the guide determined the financial management practices employed by MSMEs, and Part 2 gathered insights and recommendations regarding interventions from the Local Government Unit and other relevant agencies.

Validity and Reliability

The adapted instrument and the interview guide underwent validation by experts from the academe and industry. For reliability testing, the validated instrument was piloted with 30 MSMEs, and Cronbach's alpha was used to assess dependability. The reliability coefficient was 0.87, which exceeds the commonly used benchmark of 0.70 and indicates that the instrument was reliable (Taber, 2018). [Authors: please add the alpha value for each subscale, and for the 295 final respondents, if available.]

Interpretation of Scores

Mean scores were interpreted using the equal-interval verbal scale in Table 7.

Table 7. Verbal Interpretation of Mean Scores

Mean range	Verbal interpretation	Meaning
3.26–4.00	Highly Practiced	Performed consistently
2.51–3.25	Moderately Practiced	Performed to a fair extent
1.76–2.50	Less Practiced	Performed only occasionally
1.00–1.75	Not Practiced	Rarely or never performed

Data Gathering Procedure

Consistent with the explanatory sequential design, the questionnaire was administered first to the randomly selected MSMEs. After the quantitative data had been collected and analyzed, the interview guide was prepared from the findings and used with the nine MSME owners (face-to-face), the DTI participant (by phone call), and the Local Government Unit participant (by voice message through Messenger).

Data Analysis

The statistical treatment and data analysis were as follows:

- MSME profile (Problem 1): frequency and percentage distributions were used.
- Financial management practices (Problem 2): the mean and standard deviation were used to describe the practices quantitatively.
- Financial management challenges (Problem 3): the quantitative results were validated through interviews, and the qualitative data were analyzed using narrative analysis and a thematic approach.

Ethical Considerations

The study adhered to ethical considerations, and participant protection was the priority. Participants freely gave their consent; they were allowed to participate willingly and were informed of the nature and aim of the research, as well as of any risks and potential benefits. Throughout the whole study, anonymity and confidentiality were upheld. The

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researchers took care to prevent any psychological, emotional, or bodily harm to the individuals. The advantages and disadvantages of the study were distributed fairly. The benefits of the study were given equally to all participants, and the participants did not bear an undue burden.

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Results

This section presents the results and analysis of the data collected on the profile of the MSMEs, their financial management practices, and their challenges and requested interventions. The findings are presented logically and objectively.

Profile of the MSMEs

Table 1 presents the profile of the 295 MSME respondents.

Table 1. Frequency Distribution of the Profile of MSMEs

Indicator	Frequency	Percentage (%)
1. Type of Organization		
Corporation	5	1.7
Partnership	17	5.8
Sole Proprietorship	272	92.2
Cooperative	1	0.3
2. Nature of Business		
Manufacturing	9	3.1
Merchandising	214	72.5
Service-Oriented	62	21.0
Trading/Buy & Sell	10	3.4
3. Number of Years of Operation		
1–3	126	42.7
4–6	94	31.9
7–10	40	13.6
More than 10	35	11.9
4. Number of Employees		
Less than 10	285	96.6
10–99	9	3.1
100–199	1	0.3
5. Estimated Start-up Capitalization (in PhP)		
Less than 3,000,000 (Micro)	294	99.7

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3,000,000–15,000,000 (Small)	1	0.3
6. Estimated Assets Owned (in PhP)		
Less than 5,000	99	33.6
5,001–10,000	46	15.6
10,001–20,000	60	20.3
20,001–30,000	47	15.9
30,001–50,000	21	7.1
50,001–100,000	9	3.1

Note. N = 295. Percentages are based on the total number of respondents.

Type of organization and nature of business. Sole proprietorship was the most common type of organization, comprising 92.2% (n = 272) of all MSMEs in the research environment. Partnerships (5.8%), corporations (1.7%), and a single cooperative (0.3%) made up the rest. MSMEs in Pangantucan were mostly in merchandising businesses, which account for 72.5% (n = 214), followed by service-oriented enterprises (21.0%), trading or buy-and-sell (3.4%), and manufacturing (3.1%).

Years of operation. As to the number of years of operation, 126 (42.7%) operated their business for one to three years, 94 (31.9%) for four to six years, and 40 (13.6%) for seven to ten years. Only 35 (11.9%) operated for more than ten years. Taken together, 220 enterprises (74.6%) had operated for six years or less, which indicates a young business population.

Size. The majority of MSMEs hired fewer than ten people, accounting for 285 (96.6%), while nine (3.1%) hired 10 to 99 and one (0.3%) hired 100 to 199. The results showed that 99.7% of participants (n = 294) had less than PhP 3,000,000 in estimated start-up capitalization, classifying them as micro-enterprises; one enterprise was small. In terms of estimated assets owned, 99 (33.6%) of the businesses reported having less than PhP 5,000, and 252 (85.4%) reported assets of PhP 30,000 or less. Concerning average monthly income, 107 (36.3%) of the MSMEs reported having less than PhP 7,890 (Poor income bracket). Classification differs slightly by criterion: by number of employees, ten enterprises fall above the micro range, while by capitalization only one does.

Financial Management Practices of MSMEs

Recording

Table 2. Mean and Standard Deviation of Financial Management Practices of MSMEs in Terms of Recording

No.	Indicator	Mean	SD	Interpretation
1	I keep track of and record my daily sales every day.	2.58	1.26	Moderately Practiced
2	I record all my inventory/or stock purchases in the ledger.	2.27	1.20	Less Practiced
3	I record all my expenses incurred in the operation of the business.	2.65	1.21	Moderately Practiced

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4	I record all taxes, registration charges, fees, and other payables in the book.	2.36	1.27	Less Practiced
5	I keep track of all my collectibles/receivables in the book of accounts.	2.83	1.19	Moderately Practiced
	Overall Mean	**2.54**	**1.23**	**Moderately Practiced**

The overall mean in Table 2 shows that MSMEs moderately practiced the proper recording of transactions, with a mean score of 2.54. The highest mean indicator, 2.83, shows that MSMEs in Pangantucan keep records in the area of tracking their collections and receivables. This was followed by recording of expenses (2.65) and of daily sales (2.58). The lowest mean result for MSMEs' recording practices, 2.27, is considered Less Practiced, indicating that Pangantucan's MSME owners rarely record inventory or stock purchases. Recording of taxes, registration charges, fees, and other payables was also Less Practiced (2.36). Money coming in and out of the business was therefore recorded more consistently than stock and statutory obligations.

Budgeting

Table 3. Mean and Standard Deviation of Financial Management Practices of MSMEs in Terms of Budgeting

No.	Indicator	Mean	SD	Interpretation
1	I make forecasts on the future demand and supply of the goods that I produce or sell.	2.79	1.07	Moderately Practiced
2	I make projections on the future operating expenses of my businesses.	2.66	1.12	Moderately Practiced
3	I make a budgetary allocation of all the expenses that I incur in running the business.	2.84	1.15	Moderately Practiced
4	I make a budget schedule of all the goods that I produce or sell.	2.88	1.18	Moderately Practiced
5	I do not spend more than my income/revenue.	2.91	1.09	Moderately Practiced
	Overall Mean	**2.82**	**1.12**	**Moderately Practiced**

The overall mean of Table 3 shows the budgeting of MSMEs in Pangantucan as moderately practiced, with an overall mean of 2.82. The highest mean, 2.91, was for the indicator of not spending more than the income or revenue. Budget scheduling of goods (2.88) and budgetary allocation of expenses (2.84) followed. The projection of future operating expenses resulted in the lowest mean of 2.66, which is still interpreted as Moderately Practiced. All five budgeting indicators fell within the same verbal band, and the spread between the highest and lowest indicator (0.25) was the narrowest of the four dimensions.

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Reporting

Table 4. Mean and Standard Deviation of Financial Management Practices of MSMEs in Terms of Reporting

No.	Indicator	Mean	SD	Interpretation
1	I report all my revenues or sales to the government.	2.45	1.32	Less Practiced
2	I claim input tax from all my inventory purchases.	2.74	1.22	Moderately Practiced
3	I do or prepare all the recording and reportorial requirements from the government.	2.37	1.27	Less Practiced
4	I hire an external bookkeeper/accountant to prepare the reports and returns to be submitted to the government agencies.	1.71	1.14	Not Practiced
5	I comply and submit on time all the reportorial requirements required by the government agencies like income tax returns and financial statements like income statements, cash flow, balance sheets, etc.	2.27	1.24	Less Practiced
	Overall Mean	**2.31**	**1.24**	**Less Practiced**

Reporting is less practiced by the MSMEs in Pangantucan, as shown in Table 4, with an overall mean of 2.31. Claiming input tax from all inventory purchases had the highest mean of 2.74, which is interpreted as Moderately Practiced. However, employing a third-party bookkeeper or accountant to prepare the reports and returns to be filed with the government agencies was Not Practiced by Pangantucan MSMEs, and it has the lowest mean of 1.71. Reporting all revenues or sales to the government (2.45), preparing the recording and reportorial requirements (2.37), and complying on time with reportorial requirements such as income tax returns and financial statements (2.27) were all Less Practiced. Reporting also had the widest gap between its highest and lowest indicator (1.03).

Inventory Management

Table 5. Mean and Standard Deviation of Financial Management Practices of MSMEs in Terms of Inventory Management

No.	Indicator	Mean	SD	Interpretation
1	I record all new stock purchases in the book.	2.43	1.26	Less Practiced
2	I use/apply technology in recording the ins and outs of my stocks, like a Point of Sale System (POS), etc.	1.76	1.09	Less Practiced
3	I conduct inventory or physical counting of stocks regularly.	2.56	1.20	Moderately Practiced
4	I practice the first-in, last-out inventory management system.	2.73	1.31	Moderately Practiced

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5	I project the required level of inventory of stocks needed on a regularly specified time.	2.40	1.17	Less Practiced
	Overall Mean	**2.38**	**1.21**	**Less Practiced**

Note. Item 4 is reproduced as worded in the instrument. The standard term for this method is first-in, first-out (FIFO).

Table 5 shows that the overall inventory management mean of the Pangantucan business owners was 2.38, interpreted as Less Practiced. The highest mean, 2.73, was for the practice of the first-in and last-out inventory management system (as worded in the instrument), which is interpreted as Moderately Practiced. Regular inventory or physical counting of stocks (2.56) was also Moderately Practiced. In contrast, recording of new stock purchases (2.43) and projecting the required level of inventory (2.40) were Less Practiced. The use or application of technology such as a Point of Sale (POS) System in recording the ins and outs of stocks had the lowest mean of 1.76, interpreted as Less Practiced; this value lies at the lower boundary of the Less Practiced band (Table 7).

Summary of Practices

Table 6 summarizes the overall means of the four dimensions. Budgeting had the highest overall mean, followed by recording, inventory management, and reporting. Standard deviations ranged from 1.07 to 1.32 across all indicators, which indicates considerable variation in practice among individual enterprises.

Table 6. Summary of the Overall Means of Financial Management Practices of MSMEs

Dimension	Mean	SD	Interpretation	Range of indicator means
Recording	2.54	1.23	Moderately Practiced	2.27–2.83
Budgeting	2.82	1.12	Moderately Practiced	2.66–2.91
Reporting	2.31	1.24	Less Practiced	1.71–2.74
Inventory Management	2.38	1.21	Less Practiced	1.76–2.73

Challenges and Developed Interventions by the Local Government Unit (LGU)

The LGU of Pangantucan is seen as potentially able to regulate competition through fair price and to provide livelihood programs, supporting MSMEs due to their significant role in economic growth. This support is vital as the lack of knowledge of financial management and unpredictable business environments frequently result in significant financial performance issues for micro and small enterprises (Barbosa, 2021), and financial management knowledge and practices directly influence the success or failure of micro and small enterprises (Gawali & Gadekar, 2017). MSME owners summarized their requested interventions into two themes: a fair markup of goods (Fair Price Regulation) and capitalization (Livelihood Programs).

Theme 1: Fair Price Regulation

Two participants requested a program to implement the fair markup of goods or a price bracket to control competition. The Department of Trade and Industry (DTI), through a Negosyo Center representative, responded that they had already conducted seminars and training for MSMEs, including financial literacy, in 2023, along with workshops on starting a business, basic marketing, packaging and labeling, and various skills training (e.g., food processing).

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Theme 2: Capitalization through Livelihood Programs

Four participants requested capitalization through a livelihood program from the LGU, citing their reliance on high-interest loans for start-up capitalization. The Local Government Unit (LGU) representative from the Sangguniang Bayan stated that their plan for the next few years is to shift livelihood programs to established groups instead of individual beneficiaries, aiming to provide grants instead of loans with interest, and was willing to assist MSMEs in seeking financial assistance from government agencies. This addresses the concern that while it is feasible to launch a firm quickly, maintaining long-term success and profitability is the key concern (Varga, 2021). However, the literature suggests that MSME owners often appear to lack knowledge of and fail to apply financial management techniques despite having taken financial management training (Brijlal et al., 2014).

Other challenges identified

Beyond the two requested interventions, the interviews and the discussion of results identified pricing competition and fund utilization outside business transactions, in which personal and business finances are blurred, as critical obstacles to the growth of MSMEs.

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DISCUSSION

Overview of Findings

The study confirms that micro-enterprises dominate Pangantucan's economy, exhibiting less proper financial management practices. The profile data point in the same direction: nearly all respondents were sole proprietorships (92.2%) and micro-enterprises by capitalization (99.7%), almost all employed fewer than ten people (96.6%), roughly three in four had operated for six years or less, and the largest group of owners with a reported income fell in the lowest bracket. The predominance of merchandising (72.5%) is typical of the national structure, in which wholesale and retail trade is the largest MSME sector (DTI, n.d.), so the sample cannot be considered unusual in its industry mix.

Recording and Budgeting: Practices Tied to Survival

The moderate practice of recording (M = 2.54) and budgeting (M = 2.82) represents basic cash-flow survival. The highest-rated indicators, tracking receivables, not spending more than income, and keeping budgets for goods, are the activities that most directly protect day-to-day liquidity. This pattern resembles that of Barbosa (2021) in Tanauan, Leyte, where budgeting and costing were often practiced, and that of Deligero and Ballados (2025) in Negros Occidental, where retail owners had a good grasp of costing and budgeting. It also matches the general finding of Anoos et al. (2020) that practices were moderately practiced.

Table 8. Comparison of the Present Findings with Selected Philippine Studies

Study	Setting and respondents	Main finding on financial management practices
Anoos et al. (2020)	MSMEs, Danao City, Cebu	Practices were moderately practiced; firms did not follow generally accepted standards of financial management and control.
Barbosa (2021)	Micro and small enterprises, Tanauan, Leyte (97.26% micro)	Costing and budgeting often practiced; internal control, working capital management, and long-term financing rarely practiced (overall mean 2.84, "sometimes").
Deligero & Ballados (2025)	136 food-retail micro and small enterprises, Enrique B. Magalona, Negros Occidental	Good grasp of costing and budgeting, but only a weak link between practices and business performance.
Singson et al. (2026)	384 DTI-registered micro and small enterprise owners/managers, Cavite	High level of practice; inventory management was the most frequent practice.
Present study	**295 MSMEs, Poblacion, Pangantucan, Bukidnon**	**Recording (2.54) and budgeting (2.82) moderately practiced; reporting (2.31) and inventory management (2.38) less practiced.**

The narrow spread of the budgeting indicators (2.66 to 2.91) suggests that owners budget in a fairly uniform, informal way. The weakest indicator, projecting future operating expenses (2.66), points to a short planning horizon: owners manage current income against current spending but plan less for what lies ahead.

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Reporting: Neglected Formal Controls

The low practice of reporting (M = 2.31) validates the theoretical challenge that formal financial controls are neglected in micro-firms for short-term survival. The finding that hiring an external bookkeeper or accountant was Not Practiced (M = 1.71) contrasts sharply with the South African evidence of Brijlal et al. (2014), in which more than half of the firms relied on external accounting staff. In Pangantucan, with 85.4% of enterprises holding PhP 30,000 or less in assets, the cost of a professional bookkeeper is likely to be out of proportion to the size of the business, and owners prepare their own records or do not prepare them at all.

This finding has regulatory significance. Even the simplified 8% income tax option still requires self-employed taxpayers to keep books of accounts and issue receipts or invoices (BIR, 2018), and recording of taxes and payables was itself Less Practiced in this study (M = 2.36). The Ease of Paying Taxes Act (Republic Act No. 11976) has since simplified compliance for micro and small taxpayers. With compliance now easier by design, complexity of the tax system is a weaker explanation for low reporting; limited habit, time, and capacity are more plausible. In terms of agency theory (Jensen & Meckling, 1976), the fact that owner and manager are one and the same in a sole proprietorship removes much of the internal pressure to produce formal reports, so reporting is done mainly when an external authority requires it. Comparison across the Philippine studies also suggests that the extent of reporting may depend on the formality of the firm: Singson et al. (2026) found high practice levels among DTI-registered firms in more urbanized Cavite, while Anoos et al. (2020) found that reporting practices were significantly related to the estimated assets of firms, which is consistent with the very small asset base observed here.

Inventory Management and Technology

Inventory management was also Less Practiced (M = 2.38), even though merchandising firms (72.5% of the sample) depend most on stock. Owners were most likely to apply a stock-rotation method (M = 2.73, as worded in the instrument) and to count stock regularly (M = 2.56), but less likely to record stock purchases (M = 2.43), to project stock needs (M = 2.40), or to use technology such as a POS system (M = 1.76). This is consistent with the Ghanaian evidence of Kasim et al. (2015), in which most firms set stock levels on the basis of experience rather than systems. It contrasts with the high inventory-management practice reported in Cavite by Singson et al. (2026), which is a more formal and urban setting. In terms of the Technology Acceptance Model (Davis, 1989), low POS adoption may reflect low perceived usefulness and ease of use for very small stores, as well as the cost of equipment; these factors were not measured in this study and should be tested in future work.

Challenges and Interventions

The critical obstacles were pricing competition and, most importantly, fund utilization outside business transactions, where blurred personal and business finances halt growth by diverting capital, a common problem in micro-enterprises. The experimental evidence of Drexler et al. (2014) is directly relevant: a simple rule requiring that business and household funds be kept separate improved practices and revenues, while conventional accounting training did not. This helps explain why seminars alone, such as those the DTI reported having conducted in 2023, do not necessarily change owner behavior, a point also made by McKenzie and Woodruff (2014) and by Brijlal et al. (2014). In terms of the theory of planned behavior (Ajzen, 1991), owners may hold favorable attitudes toward record-keeping yet lack the perceived control, time, or social support to act on them.

The request for a price bracket should be read against the scope of existing law. The Price Act (RA 7581, as amended by RA 10623) covers only listed basic necessities and prime commodities and does not give the government a general power to regulate retailers' markups. The realistic options for the LGU and DTI therefore lie in price monitoring, suggested retail prices, and measures that improve small retailers' cost position and efficiency, rather than a binding price bracket.

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The request for capitalization is consistent with the owners' reliance on high-interest loans. Informal "5-6" lending charges a nominal 20% over short cycles (Kondo, 2003), and even the government's P3 program, designed as an alternative, charges up to 2.5% per month all-in (SB Corporation, n.d.), which is costly for enterprises with very small assets. The reluctance of owners to take loans and their preference for grants are therefore understandable. The LGU's plan to shift toward grants for established groups responds to this need, although it also implies that individual, first-time owners may be left with the same financing gap unless other channels are opened. The pecking order logic (Myers & Majluf, 1984) in which owners rely first on personal savings and informal credit may also partly explain why personal and business funds are mixed.

Implications and Recommendations

The implication is that government support (DTI and LGU) must focus training on simplified reporting and inventory systems and, crucially, on the behavioral aspect of separating business capital. Recommendations call for MSMEs to proactively seek training in reporting and inventory management. Specifically:

- *MSME owners* should seek practical training in reporting and inventory management, adopt a simple rule for separating business money from household money, and record stock purchases and payables.
- *The DTI and Negosyo Center, in collaboration with the LGU,* should conduct targeted, practical training emphasizing financial literacy and capital retention techniques to address the fund utilization issue. Training should be short, rule-based, and practice-oriented (for example, a separate cash box or envelope rule and simple templates for daily sales, expenses, and stock), as these approaches have stronger evidence of effect than conventional lectures (Drexler et al., 2014), and should be followed by coaching rather than one-off seminars.
- *The LGU* should consider grants or low-cost credit for MSME capitalization, tied to participation in financial management training, and should use price monitoring and information rather than a binding price bracket to address competition.
- *Tax and registration agencies and the LGU* should disseminate information on simplified compliance options, including those under the Ease of Paying Taxes Act, and on BMBE registration, for which most of the enterprises in this study could be eligible (RA 9178).
- *Academic institutions* should integrate the findings in curricula and community extension programs, for example by pairing students with MSMEs to establish simple recording and inventory systems.

Limitations

Several limitations should be noted. First, the study covered a single barangay (Poblacion), and 99.7% of the respondents were micro-enterprises, so the findings may not generalize to other municipalities or to small and medium enterprises. Second, the practices were self-reported and may therefore be overstated. Third, Slovin's formula was derived for estimating a proportion at maximum variability and is not specifically designed for means of Likert-type items (Tejada & Punzalan, 2012); in addition, it assumes simple random sampling. Fourth, the quantitative analysis was descriptive only, and practices were not statistically compared across industries, so the hypothesis on differences among sectors was not tested. With 72.5% of respondents in merchandising and only nine manufacturers, group sizes are very unequal, and any such comparison would require methods suited to unequal groups. Fifth, the qualitative phase relied on retail owners and on one representative each from the DTI and the LGU, one by phone and one by voice message, which limits the depth of those accounts. Finally, the findings are cross-sectional and cannot establish that practices cause performance.

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Future Research

The study contributes localized data for policy and suggests integrating its findings into academic curricula. Future research should include a comparative study across different business sectors to assess practice variation, using nonparametric tests or Welch's ANOVA with effect sizes given the unequal group sizes, and should relate the four practice dimensions to enterprise performance. It should also employ qualitative research (e.g., ethnography) to better understand the deep socio-cultural factors driving the detrimental practice of fund diversion. Intervention studies that compare simple, rule-based training with standard seminars in Bukidnon would be especially useful to the DTI and the LGU.

Conclusion

MSMEs in Pangantucan are predominantly young, sole-proprietorship micro-enterprises in merchandising. They moderately practice recording and budgeting, which support basic cash-flow survival, but practice reporting and inventory management less, and almost none hire an external bookkeeper or use technology to track stock. Blurred personal and business finances and pricing competition are the critical obstacles, and owners seek fair price regulation and capitalization through livelihood programs. Given the role of these MSMEs in the economy of Pangantucan, government agencies like the DTI, through the Negosyo Center, in collaboration with the Local Government Unit, should show support by facilitating practical seminars and training geared toward helping MSMEs thrive and survive, with emphasis on simplified reporting, inventory systems, and the behavioral discipline of separating business capital.

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