



Extensive Implementation Of The BMBE Law: An Assessment Across Metro Manila

Atty. Christine P. Carpio-Aldeguer, DBA

Far Eastern University, Manila, Philippines

Pamantasan ng Lungsod ng Maynila, Philippines

Email: cpcarpio2004@yahoo.com; cpcarpio2004@gmail.com

ABSTRACT:

The Barangay Micro Business Enterprise (BMBE) Law or Republic Act No. 9178 was enacted on November 13, 2002 to help microenterprises in their financial hurdle during the early years of their business operations. Although considered a pro-poor law, it is suspected that not too many cities in the National Capital Region (NCR) in particular are implementing it. Thus, this study will encompass an assessment on the extensiveness of the BMBE Law implementation across the 17 cities in Metro Manila through a perception survey that will make use of a 10-item dichotomous questions. On the other hand, the determination of the acceptable and ideal BMBE Law implementation will be conducted through an Expert Survey of 10 respondents purposively chosen from the government, academe and business. The responses from a sample of 100 microentrepreneurs across various sectors will be analyzed using arithmetic mean and Chi-square Test Method.

INTRODUCTION

The Barangay Micro Business Enterprise (BMBE) Law or Republic Act No. 9178 was enacted on November 13, 2002 to help microenterprises in their financial hurdle during the early years of their business operations. Although considered a pro-poor law, it is suspected that not too many

cities in the National Capital Region (NCR) in particular are implementing it. Thus, this study will encompass an assessment on the extensiveness of the BMBE Law implementation across the 17 cities in Metro Manila through a perception survey that will make use of a 10-item dichotomous questions. On the other hand, the determination of the acceptable and ideal BMBE Law implementation will be conducted through an Expert Survey of 10 respondents purposively chosen from the government, academe and business. The responses from a sample of 100 microentrepreneurs across various sectors will be analyzed using arithmetic mean and Chi-square Test Method.

The study assessed the extensiveness of the BMBE Law implementation across the 17 cities in Metro Manila. Specifically, it will answer the following questions:

1. Is the BMBE Law promoted extensively in Metro Manila across:
 - a. 17 cities ([Manila](#), Caloocan, Las Pinas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Paranaque, Pasay, Pasig, Quezon City, San Juan, Taguig, Valenzuela and Pateros).
 - b. Sectors: Cluster 1 (Food Retailing Service & Manufacturing); Cluster 2 (General Merchandise Manufacturing & Retailing); Cluster 3 (Health, Wellness Professional



and other services); Cluster 4 (Construction, Real Estate & Maintenance Services).

2. Is there a significant difference between the ideal and actual level of promotion (in terms of awareness of microentrepreneurs) of the BMBE Law in Metro Manila across:
 - a. 17 cities
 - b. Sectors
3. Is the BMBE Law implemented extensively in Metro Manila across:
 - a. 17 cities
 - b. Sectors
4. Is there a significant difference between the ideal and actual level of implementation (in terms of experience of microentrepreneurs) of the BMBE Law in Metro Manila across:
 - a. 17 cities
 - b. Sectors
5. Is the BMBE Law satisfactory to microentrepreneurs across:
 - a. 17 cities
 - b. Sectors
6. Is there a significant difference between the ideal and actual level of effectiveness in terms of satisfaction to microentrepreneurs across:
 - a. 17 cities
 - b. Sectors

The findings of this study will serve as a stepping stone to improve our country's economic

problems. This will also help the ambulant vendors become part of the national economic system of the country. Future researchers will also get insights on the findings of this study, particularly those specializing in improving the well-being of the informal sector, as well as the economic condition of our country. Finally, this will eventually help small business enterprises and microenterprises with the utmost objective of increasing revenues for the government and improving the economic welfare of the country.

Republic Act 9178, "AN ACT TO PROMOTE THE ESTABLISHMENT OF BARANGAY MICRO BUSINESS ENTERPRISES (BMBEs), PROVIDING INCENTIVES AND BENEFITS THEREFOR, AND FOR OTHER PURPOSES" (also known as the BMBE law) encourages the formation and growth of barangay micro business enterprises by granting them incentives and other benefits. Its Implementing Rules and Regulations (IRR) which was issued on February 7, 2003. Accordingly, "Barangay Micro Business Enterprise," hereinafter referred to as BMBE, refers to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00).

The principal benefit of the BMBE law is exemption from income tax arising from the operations of the enterprise upon registration and issuance of a Certificate of Authority effective for a period of two years, renewable for a period of two years for every renewal. To defray the administrative costs of registering and monitoring

the BMBEs, the local government unit may charge a fee not exceeding P1,000.

The second main benefit is exemption from the coverage of the Minimum Wage Law provided that all employees covered shall be entitled to the same benefits given to any regular employee such as social security and healthcare benefits. Once a BMBE is registered and issued with a Certificate of Authority, it is automatically exempted from the minimum wage law.

In addition, registered BMBEs are given assistance in technology transfer, production and management training and marketing by government agencies such as the Department of Trade and Industry (DTI), Department of Science and Technology (DOST), University of the Philippines Institute for Small Scale Industries (UP-ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC). (Soriano, 2012)

However, Sunstar Davao reported that the Barangay Micro Business Enterprise (BMBE) Law has been described as failure (Colina IV, 2012). As of this writing, local government units (such as the City of Manila) have not totally resolved syndicated mulcting (“kotong”) committed against BMBEs, a perennial problem existing even before the BMBE law took effect. (Dychiu, 2009; Sauler 2013, Lariosa, 2014). Hence, the House Committee on Small Business and Entrepreneurship Development is bent on amending the BMBE Law (Colina IV, 2012).

It was also observed that only a few microenterprises are registered and availed of its benefits (Tax and Accounting Center, Inc., 2012).

Further the law is still not fully functional. Lack of incentives is among the main reasons why microenterprises are not able to reach their full potential and graduate into larger entities. (Makabayan.net, 2013)

However, due to supervening events which occurred from the time of the submission upto the approval of this research paper, Republic Act 10644, also known as the Go Negosyo Act was approved into law on July 15, 2014 where the Department of Trade and Industry has the sole authority to issue a BMBE Certificate of Authority. The Implementing Rules and Regulations of the Go Negosyo Act was released on January 2, 2015 (Desiderio, 2015).

The most appropriate theory for this study is the Theory of Scarce Resources by Joseph Schumpeter. In the “Process of Creative Destruction,” Schumpeter described capitalism as “the perennial gale of creative destruction,” the centerpiece for modern thinking on how economies evolve. Schumpeter further emphasized that entrepreneurship and competition fuel creative destruction. Creative destruction provides a powerful force for making societies wealthier. It does so by making scarce resources more productive. Hence, the BMBE Law, leaning towards creative destruction, was enacted with a view of making the Philippine society wealthier by making microenterprises more productive.

Figure 1. below describes an envisioned concept for this study.



Figure 1 BMBE Implementation Concept

The conceptual framework is based on the premise that once the BMBE Law is effectively implemented to the target beneficiaries, the latter will: a) become fully aware of the law; b) experience the benefits of the law; and c) be fully satisfied of the benefits provided by the law.

The procedural concept was based on the following IPOO model:

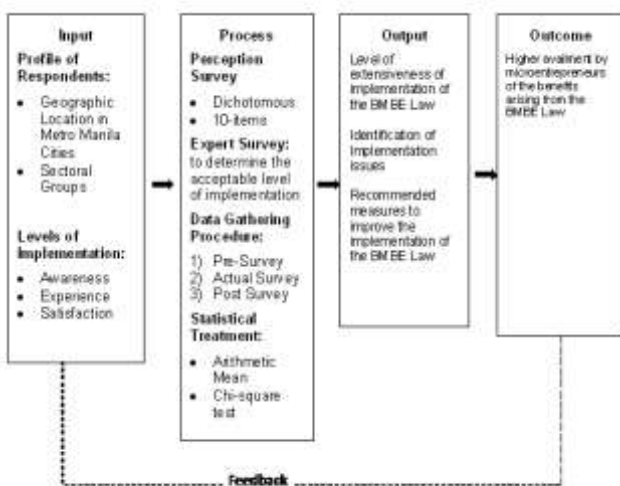


Figure 2: IPOO Model

Using the IPOO model, the outcome is the higher availment by microentrepreneurs of the benefits arising from the BMBE law. The output

concentrated on: a) level of extensiveness of the implementation of the BMBE Law; b) Identification of Implementation issues; and c) Recommended measures to improve the implementation of the BMBE Law. To attain such output, the following process will be enforced:

- a) Using a perception survey consists of 10-items dichotomous questions
- b) Expert Survey to determine the acceptable and ideal level of implementation of the BMBE Law
- c) Data Gathering Procedure which consists of a pre-survey, actual survey and post survey
- d) Statistical treatment using arithmetic mean and Chi-square test

In order to fully implement the above process of assessment, responses from sectoral groups across 17 cities in Metro Manila was undertaken.

METHODOLOGY

A. Research Locale

The research was conducted within Metro Manila since it is the political, economic, social, and educational center of the Philippines. In addition, Metro Manila has the most dense population and heaviest concentration of microentrepreneurs with 175,064 establishments or representing 21% of the total microenterprise establishments in the Philippines. Moreover, the researcher conducted her studies in Metro Manila due to budget and networking constraints. The Metro Manila area was composed of the following: Manila, Caloocan, Las Pinas, Makati City, Malabon,



Mandaluyong, Marikina, Muntinlupa, Navotas, Paranaque, Pasay, Pasig, Quezon City, San Juan, Taguig, Valenzuela and Pateros.

B. Population, Samples and Sampling Techniques

The target subjects of the study are the 17 cities that comprise the Metro Manila area. The respondents are the selected microenterprises of their respective jurisdiction.

Respondents

According to the 2012 MSME Statistics of the Department of Trade and Industry, there are a total number of 844,764 microenterprise establishment in the Philippines. This comprise the population of microenterprise establishment which is the subject matter of this study.

The sample size of 100 respondents was taken using Slovin's formula. Slovin's formula is written as:

$$n = \frac{N}{1 + Ne^2}$$

where:

n = number of respondents

N = Total number of microenterprise establishments in the Philippines (2012) MSME Statistics, DTI

e = Margin of error which is 0.10

The determination of sample size was based on the concept of Calderon and Gonzales (1993) who mentioned in their book, "Guidelines for Determining Adequate Sampling", that there are no fixed rules in determining the size of a sample needed. However, there are broad guidelines that should be observed in determining the size of a

sample, Likewise, the sample size was based on the suggestion of McMillan & Schumacher (2001) who explained that purposeful samples can range from an n=1 to n=40 samples or more.

For each city, various sectors of microenterprise establishments were the subject of the survey. These sectors have been classified according to clusters and chosen in the order of their priority, to wit:

- a) Cluster 1 -- Food Retailing Service & Manufacturing;
- b) Cluster 2 -- General Merchandise Manufacturing & Retailing;
- c) Cluster 3 -- Health, Wellness Professional and other services;
- d) Cluster 4 -- Construction, Real Estate & Maintenance Services;

The respondents of the study included *selected microenterprises* whose assets do not exceed P3 million pesos.

C. Instrumentation

The major instruments used in gathering the data are as follows:

- 1) **Perception Survey** -- the survey composed of a 10-item dichotomous questions. (Refer to Appendix "1": Perception Survey).
- 2) **Expert Survey** -- the survey determined the acceptable and ideal level of implementation of the BMBE Law. Interview of 10 experts in the government, business and academe was utilized. These expert respondents also validated the perception survey which was



distributed among the target respondents in 17 cities. (Refer to Appendix “2”: Expert Survey)

D. Data Gathering Procedures

The sequence in obtaining the survey as a primary data source is as follows:

- **PRE-SURVEY**

- 1) Develop questionnaire
- 2) Validate questionnaire (expert validation)
- 3) Identify target respondents per City and per Sector
- 4) Calculate the sampling size
- 5) Reproduce sufficient copies of the questionnaire
- 6) Orient / train research assistants on field work to be conducted
- 7) Develop a schedule of deployment of research assistants

- **ACTUAL SURVEY**

- 1) Deploy research assistants according to deployment schedule
- 2) Monitor progress of field work
- 3) Retrieve / collect filled out survey forms on a daily basis

- **POST SURVEY**

- 1) Screen collected survey forms to weed out invalidated forms
- 2) Tabulate responses of respondents

- 3) Analyze data by applying statistical tools
- 4) Interpret results of analysis
- 5) Incorporate conclusions and recommendations in the final research report

E. Statistical Treatment of Data

The following statistical tools was used in the treatment of the data:

Arithmetic mean was used in the treatment of the data pertaining to the assessment of the level of implementation of the BMBE Law by microenterprises in terms of their awareness, experience and satisfaction. **The Chi Square statistic** compared the counts of categorical responses between the 17 respondent Cities in Metro Manila.

The following null hypotheses were tested using the Chi-square statistic:

H₀ # 1: The BMBE Law is not underpromoted;

H₀ # 2: The BMBE Law is not erroneously implemented

H₀ # 3: The BMBE Law is not considered unsatisfactory

The null hypotheses will be rejected if the obtained *value* of X² is more than the chi-square statistic table value of 3.481 at a predetermined significance level $\alpha=0.05$ with a degree of freedom of $df = 1$.

RESULTS

The data obtained were classified according to the requirements of the study. These data were analyzed and the statistical results are interpreted



in this chapter. Tables are included to provide a mental picture of the results. For a clear point of view, the data and findings are presented in the order of the Statement of the Problems.

Using interview of 10 experts in government, business and academe, the results in the determination of the acceptable and ideal level of implementation of the BMBE Law are presented in Table 1.

Level of Implementation Criteria	Overall Mean
Extensiveness of the promotion of the BMBE Law	80%
Extensiveness of the Implementation of the BMBE Law	79%
Extensiveness of the Level of Effectiveness in terms of Implementation of the BMBE Law	81.5%

Table 1: Ideal/acceptable Level of Implementation of the BMBE Law

A. Extensiveness of the promotion of the BMBE Law in Metro Manila

To resolve the statement: *“Is the BMBE Law promoted extensively in Metro Manila?”*, Table 2 shows the extensiveness of the promotion of the BMBE law across 17 cities.

City	Yes	No	Total
Caloocan	0	12	12
Las Piñas	0	5	5
Makati	0	5	5
Malabon	0	3	3
Mandaluyong	0	3	3
Manila	1	22	23
Marikina	0	3	3
Muntinlupa	0	2	2
Navotas	0	2	2
Parañaque	0	4	4
Pasay	0	3	3
Pasig	0	4	4
Pateros	0	1	1
Quezon City	0	21	21
San Juan	0	2	2
Taguig	0	2	2
Valenzuela	0	5	5
Total	1	99	100

Table 2: Level of Extensiveness of the Promotion of the BMBE law across 17 Cities

On the other hand, Table 3 shows the extensiveness of the promotion of the BMBE law across Sectors:

Sector	Yes	No	Total
Cluster 1	1	48	49
Cluster 2	0	38	38
Cluster 3	0	12	12
Cluster 4	0	1	1
Total	1	99	100
Ratio	0.013	0.987	1.000

Table 3: Level of Extensiveness of the Promotion of the BMBE law across Sectors

The obtained value of $X^2=4,704$ exceeds the table value of 3.841 (at one degree of freedom and an alpha level of 0.05). This means that there is a significant difference between the ideal and actual level of promotion (in terms of awareness of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and Sectors. Therefore, $H_0 \neq 1$ is rejected.

B. Extensiveness of the Implementation of the BMBE Law in Metro Manila

To resolve the statement: *“Is the BMBE Law implemented extensively in Metro Manila?”* Table 4 shows the extensiveness of the

implementation of the BMBE law across the 17 cities.

City	Yes	No	Total
Caloocan	0	12	12
Las Piñas	0	5	5
Makati	0	5	5
Malabon	0	3	3
Mandaluyong	0	3	3
Manila	0	23	23
Marikina	0	3	3
Muntinlupa	0	2	2
Navotas	0	2	2
Parañaque	0	4	4
Pasay	0	3	3
Pasig	0	4	4
Pateros	0	1	1
Quezon City	0	21	21
San Juan	0	2	2
Taguig	0	2	2
Valenzuela	0	5	5
Total	0	100	100

Table 4: Extensiveness of the Implementation of the BMBE law across 17 Cities

On the other hand, Table 5 shows the extensiveness of the implementation of the BMBE Law across Sectors:

Sector	Yes	No	Total
Cluster 1	0	49	49
Cluster 2	0	38	38
Cluster 3	0	12	12
Cluster 4	0	1	1
Total	0	100	100

Table 5: Extensiveness of the Implementation of the BMBE law across Sectors

Using the above data, the obtained value of $X^2=62.41$ exceeds the table value of 3.841 (at one degree of freedom and an alpha level of 0.05). This means that there is a significant difference between the ideal and actual level of implementation (in terms of experience of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and Sectors. Therefore, $H_0 \neq 2$ is rejected.

C. Effectiveness (in terms of the level of satisfaction by microentrepreneurs) of the BMBE Law in Metro Manila

To answer the statement: “Is the BMBE Law satisfactory to microentrepreneurs?” Table 6 demonstrates the effectiveness of the BMBE Law across the 17 cities in Metro Manila.

City	Yes	No	Total
Caloocan	0	12	12
Las Piñas	0	5	5
Makati	0	5	5
Malabon	0	3	3
Mandaluyong	0	3	3
Manila	0	23	23
Marikina	0	3	3
Muntinlupa	0	2	2
Navotas	0	2	2
Parañaque	0	4	4
Pasay	0	3	3
Pasig	0	4	4
Pateros	0	1	1
Quezon City	0	21	21
San Juan	0	2	2
Taguig	0	2	2
Valenzuela	0	5	5
Total	0	100	100

Table 6: Effectiveness of the BMBE law across 17 Cities in Metro Manila

Table 7 presents the level effectiveness of the BMBE law across Sectors:

Sector	Yes	No	Total
Cluster 1	0	49	49
Cluster 2	0	38	38
Cluster 3	0	12	12
Cluster 4	0	1	1
Total	0	100	100

Table 7: Effectiveness of the BMBE law across Sectors

Using the above results, the obtained value of $X^2=66.42$ exceeds the table value of 3.841 (at one degree of freedom and an alpha level of 0.05). This means that there is a significant difference between the ideal and actual level of effectiveness in terms of satisfaction to microentrepreneurs across the 17 cities and Sectors. Therefore, $H_0 \neq 3$ is rejected.

DISCUSSIONS

The findings of this study confirms that the BMBE Law has been a total failure (Colina IV, 2012) and that only a few microenterprises are registered and availed of its benefits (Tax and Accounting Center, Inc., 2012), making the law as not fully functional (Makabayan.net, 2013).

The researcher can deduce the following why the BMBE Law is not being effectively implemented.

A. Requirement for a Business Permit before becoming a registered BMBE.

A business permit pre-requisite to be issued by the proper local government unit frustrates the spirit of the BMBE Law where the maximum registration fee shall not exceed P1,000. Applying for a business permit entails additional payment, cost of which is determined at the discretion of the local government unit concerned. In the City of Manila alone, a business permit for a vendor in Divisoria is already at P1,800 (Lariosa, 2014), an amount which is beyond the mandated registration fees under the BMBE Law.

Moreover, the requirements for applying a business permit are tedious and entail the submission of some of the following enormous documents (depending on the requirements by each local government unit):

1. Duly accomplish Business Permit Application Form with Engineering Department stamp and assessment.
2. Locational Clearance prior to Business Permit.
3. Lease Contract between the Lessor and the Lessee. If leased, attach Mayor's Permit registration of the building owner/landlord as a

Real Estate Lessor. If not, Lease Contract between the Lessee and the Sub-Lessee with conformity of the Owner of the Building Administration. If owned, transfer Certificate of Title (TCT) or Tax Declaration (photocopy).

4. Business Name Registration with the Department of Trade and Industry for sole proprietorship.
5. Articles of Incorporation or Partnership approved by Securities and Exchange Commission (SEC)
6. Barangay Clearance
7. Public Liability Insurance
8. Fire Safety Inspection Certificate issued by Bureau of Fire Department
9. Other Documents that may be required.

Definitely, the business permit requirement is detrimental to the effectiveness of the implementation of the BMBE Law.

B. Government Agencies tasked with the Implementation of the BMBE Law went beyond their powers in defining the scope and coverage of Barangay Micro-business Enterprise.

The Department of Finance (2004), tasked with the implementation of the BMBE Law, went beyond its powers when it provided additional qualifications of a Barangay Micro-Business Enterprise, the full text is stated as follows:

“RULE 2.

REGISTRATION OF BMBEs

Sec. 1. Who Can Register as a BMBE - One can register as a BMBE if it is a business entity or enterprise, whether operated as a sole proprietorship or a corporation, partnership, cooperative or association, organized/incorporated and existing under Philippine laws:

(a) Engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, and which activities are barangay-based and micro-business in nature and scope: *Provided*, That “services” shall exclude those rendered by (I) natural persons who are duly licensed by the government after having passed a government licensure examination in connection with the exercise of one’s profession, and (ii) juridical persons such as partnerships or corporations engaged in consultancy, advisory and similar services where the performance of such services are essentially carried out through licensed professionals;

(b) Whose total assets, real or personal, inclusive of those arising from loans but exclusive of the land on which the particular business entity’s office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00) or as may be adjusted by the Small and Medium Enterprises Development (SMED) Council as mandated under R.A. 6977 as amended by R.A. 8289: *Provided*, That for the purpose of registering as a BMBE, the assets must be owned and used for the conduct of its business as such BMBE.

A business enterprise shall be considered “barangay-based” if (i) the majority of its employees are residents of the municipality where its principal place of business is located; or (ii) its principal activity consists in the application/use of

a particular skill peculiar to the locality or of raw materials predominantly sourced from the area; or (iii) its business operations are confined within the territorial jurisdiction of the municipality or LGU in which its principal place of business is located: *Provided, however*, That the enterprise may establish warehouses, buying stations, sales outlets, and booking or administrative offices anywhere in the Philippines, subject to pertinent rules and registration requirements of the concerned LGUs and other government agencies where such warehouses, outlets, stations or offices are established.

It shall be considered “micro-business in nature and scope” if: (i) its principal activity is primarily for livelihood, or determined by the SMED Council or DTI as a priority area for development or government assistance; (ii) the enterprise is not a branch, subsidiary, division or office of a large scale enterprise; and (iii) its policies and business modus operandi are not determined by a large scale enterprise or by persons who are not owners or employees of the enterprise.”

The qualifications added by the Department of Finance runs counter to the definition of a Barangay Micro-Business Enterprise under the BMBE Law where it states that:

“(a) Barangay Micro Business Enterprise,” hereinafter referred to as BMBE, refers to *any* business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00). The above definition shall



be subject to review and upward adjustment by the SMED Council, as mandated under Republic Act No. 6977, as amended by Republic Act No. 8289.

“For the purpose of this Act, ‘services’ shall exclude those rendered by any one, who is duly licensed by the government after having passed a government licensure examination, in connection with the exercise of one's profession.”

Clearly, government agencies such as the Department of Finance failed to determine the spirit of the BMBE Law by excluding some businesses whose total assets are not more than Three Million Pesos (P3,000,000.00).

C. Local government units prefer to compete in collecting and charging fees from microentrepreneurs by imposing its devolved powers under the Local Government Code with respect to business establishment under their respective jurisdiction.

There will always be a conflict of interest existing with the local government units in terms of charging and collecting fees from microentrepreneurs, instead of strictly implementing the registration fee for BMBEs for an amount not exceeding P1,000. Strictly collecting the maximum registration fee of P1,000 from potential BMBEs (excluding all other fees, business permit fees and licenses) will also mean decrease of revenues from the local government units.

D. Requirements for the BMBE registration involves too many forms and paperwork to fill out.

The Department of Finance (2010) provided the requirements for the application for BMBE registration as follows:

Basic requirements for new applicants and for BMBEs applying for renewal of registration:

a. Duly filled out application form (BMBE Form 01) in triplicate, signed by the owner or manager of the entity applying for registration; and,

b. Three passport size ID pictures.

Additional requirements for new applicants:

a. For those with assets worth three hundred thousand pesos (P300,000) and less –

1. Registration as a business entity or enterprise from the appropriate government agency (e.g., Securities and Exchange Commission (SEC) registration in the case of corporation partnership or association; Cooperative Development Authority (CDA) registration in the case of cooperative; Department of Trade and Industry (DTI) business name registration in the case of sole proprietorship); and

2. Mayor's Permit or City/ Municipal Business Permit.

b. For those with assets worth more than three hundred thousand pesos (P300, 000) up to three million pesos (P3, 000,000.00) –

1. Registration as a business entity.

2. Taxpayer Identification Number (TIN);

3. Certificate of Registration from the Bureau of Internal Revenue (BIR);



4. Mayor's Permit or City/Municipal Business Permit;
5. Sworn affidavit executed by the sole proprietor or the President of the enterprise, as the case may be, that the enterprise is barangay-based and micro-business in nature and scope;
6. Sworn Statement of Assets and Liabilities supported by pertinent documents;
7. Pictures of the place of business and its assets, other than cash, receivables and intangibles;
8. Copy of Loan Contract/s, if any, and duly-notarized Certification of Amortization Payments on the Loan; and
9. Income Tax Return (ITR).

Additional requirements for the renewal of BMBE registration:

a. For those with assets worth three hundred thousand pesos (P300,000) and less –

1. Documents previously listed for new applicants with assets worth three hundred thousand pesos and less; and
2. Annual Information Return (for the year immediately preceding the renewal of registration) duly filed with the BIR, together with its attachments.

b. For those with assets worth more than three hundred thousand pesos (P300,000) up to three million pesos (P3,000,000.00) –

1. Registration as a business entity.
2. Taxpayer Identification Number (TIN);

3. Certificate of Registration from the Bureau of Internal Revenue (BIR);
4. Mayor's Permit or City/Municipal Business Permit;
5. Sworn affidavit executed by the sole proprietor or the President of the enterprise, as the case may be, that the enterprise is barangay-based and micro-business in nature and scope;
6. Sworn Statement of Assets and Liabilities supported by pertinent documents;
7. Pictures of the place of business and its assets, other than cash, receivables and intangibles;
8. Copy of Loan Contract/s, if any, and duly-notarized Certification of Amortization Payments on the Loan; and
9. Annual Information Return (for the year immediately preceding the renewal of registration) duly filed with the BIR, together with its attachments.

Procedures:

- a. Accomplish BMBE Form 01 in triplicate and submit to the Office of the Municipal or City Treasurer.
- b. The Municipal or City Treasurer evaluates the application. The application shall be processed within 15 working days upon submission; otherwise, the BMBE shall be deemed registered.
- c. A registered BMBE shall be issued a Certificate of Authority as proof of registration, effective for a period of two years. The application is renewable every two years.

The requirements appeared to be complicated which can make the applicant discouraged to apply.

E. Lack of political will on the part of the local government units and proper government agencies tasked in implementing the BMBE Law

The respondents of this study alleged that local government units and proper government agencies lack the political will to fully implement the BMBE Law. No active promotion is being conducted. Moreover, the local government units just place themselves in a passive position by not actively providing the information to the microentrepreneurs as to the advantages and disadvantages of registering under the BMBE Law. Despite the guidelines and implementing rules and regulations issued by the Department of Finance and Department of Trade and Industry, the local government units have failed to provide the programs that will help sustain the systematic implementation of the BMBE Law.

F. Lack of Information Campaign

Posters or advertisements are not posted in the offices of the local government units for public view. There are some posters and advertisements which are being posted in public places (such as request for certified copies of Transfer Certificates of Titles, Beware of Fixers, No Noon Breaks). However, posters and advertisements for the advantages of registration under the BMBE Law was never posted in public places. Brochures and flyers will be presented only if potential applicants inquire.

The enactment of the Go Negosyo Act may facilitate the implementation of the BMBE Law because of the following:

- The grant of the Certificate of Authority for Barangay Micro Business Enterprises (BMBEs) is conferred upon the Department of Trade and Industry (DTI) through the Negosyo Centers to be established in the city or municipal level. Such authority to grant the Certificate of Authority no longer lies with the local government units (through the Office of the Treasurer).
- The DTI through the Negosyo Centers shall be responsible in the business information and advocacy of the BMBEs as mandated by law and by the implementing rules and regulations.
- The DTI shall be responsible in the eligibility requirements for the BMBE registration which is in accordance with the definition of the BMBE Law (not by the definition of the Department of Finance).
- The Micro, Small and Medium Enterprise Development Council (MSMED Council) shall be responsible in the supervision of the Negosyo Centers including establishment of rules, regulations and multi-phase plans for the creation and supervision of Negosyo Centers. The MSMED Council shall be composed of the Secretarys of the Department of Trade and Industry, Department of Interior and Local Government, Department of Agriculture, and representatives from the women, youth and microenterprise sectors.
- The MSMED Council shall take an active role in encouraging public and private partnerships with the micro, small and medium enterprises



to sustain the development of the Negosyo Centers.

Although the Go Negosyo Act may prove to be promising, the following issues need to be specifically addressed:

- The local government units, through the Business Permit and Licensing Offices, will still have a say in providing the requirements for the approval of the registration of BMBEs. As a result, applicants for BMBEs may still be required to pay the fees for business permits and other documents before the Business Permit and Licensing Offices may grant permits and license to operate BMBEs. In fact, local government units still have the authority to grant or revoke the permits and licenses of the BMBEs and potential BMBE applicants to operate as a business entity.
- The Go Negosyo Act will handle not only the barangay microbusinesses, but also small and medium enterprises which constitute a wider and expanded range of responsibilities, a concern which may leave behind concerns which are specific to the barangay microbusiness enterprises.

Ambulant vending in the Philippines is part of the informal sector which constitutes 44% of the country's Gross National Product (GNP) (Domingo, 2004). The issue of legitimizing the ambulant vendors may contribute to the generation of more revenues in favor the government, should there be a plan of action to be created by the MSMED Council.

CONCLUSION

The study assessed the extensiveness of the BMBE Law implementation across the 17 cities in

Metro Manila. Specifically, it answered the following questions: a) Is the BMBE Law promoted extensively in Metro Manila across the 17 cities and identified Sectors?; b) Is there a significant difference between the ideal and actual level of promotion (in terms of awareness of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and identified Sectors?; c) Is the BMBE Law implemented extensively in Metro Manila across the 17 cities and the identified Sectors?; d) Is there a significant difference between the ideal and actual level of implementation (in terms of experience of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and the identified Sectors?; e) Is the BMBE Law satisfactory to microentrepreneurs across the 17 cities and the identified Sectors?; and f) Is there a significant difference between the ideal and actual level of effectiveness in terms of satisfaction to microentrepreneurs across the 17 cities and identified Sectors?

At 0.05 level of significance, the following null hypotheses were tested using Chi-Square Statistic:

H₀ # 1: The BMBE Law is not underpromoted;

H₀ # 2: The BMBE Law is not erroneously implemented

H₀ # 3: The BMBE Law is not considered unsatisfactory

The researcher adopted a **descriptive** and **quantitative** research as research designs. An evaluative approach is most suitable in determining the extensiveness of the implementation of the BMBE law.

Utilizing a descriptive exploratory research design is the appropriate method as the purpose of this research study is to achieve new insights into the problem situation. Moreover, proposing possible recommendations and suggestions for the improvement of the implementation of the BMBE Law cannot be done through the knowledge of the researcher alone; it must also be taken from information to be gathered from the different key informants.

However, the study combined the exploratory with a descriptive research design since it has been initially marked by prior research questions formulated to comprise the stated problems. Descriptive design intends to describe the “what is” or “what holds true to a group of subjects” at the present time.

On the other hand, quantitative research designs involved the use of surveys to collect data, and reliance on probability theories to test statistical hypothesis that correspond to the research questions as mentioned in the statement of the problem.

The respondents of the study included *selected microenterprises* whose assets do not exceed P3 million pesos.

The major instruments used in gathering the data are:

- a) **Perception Survey** -- the survey composed of a 10-item dichotomous questions;
- b) **Expert Survey** – the survey determined the acceptable and ideal level of implementation of the BMBE Law. Interview of 10 experts in the government, business and academe was utilized.

The target subjects of the study are the 17 cities that comprise the Metro Manila area. The

respondents are the selected microenterprises of their respective jurisdiction. For each city, various sectors of microenterprise establishments were the subject of the survey. These sectors have been classified according to clusters and chosen in the order of their priority:

- a) Cluster 1 -- Food Retailing Service & Manufacturing;
- b) Cluster 2 -- General Merchandise Manufacturing & Retailing;
- c) Cluster 3 -- Health, Wellness Professional and other services;
- d) Cluster 4 -- Construction, Real Estate & Maintenance Services;

Figure 3 presents an overall view on the level of implementation of the BMBE Law in Metro Manila ever since the law’s inception in 2002. Overwhelmingly, the study concluded that the BMBE Law (since 2002) is not being promoted, nor is it extensively implemented (close to 0%). Therefore, the study reveals that the BMBE Law is not effective.

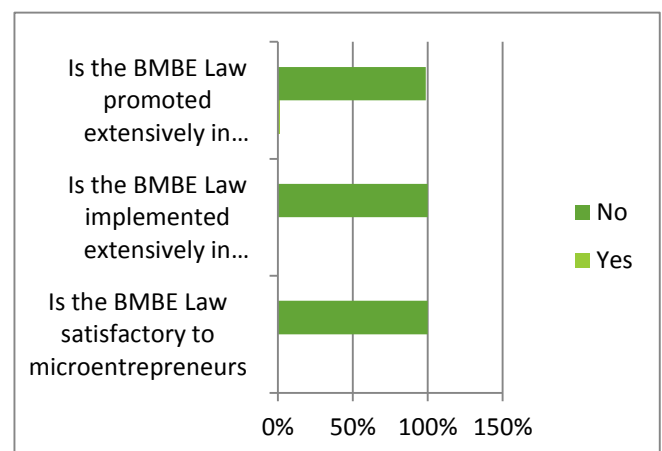


Figure 3. Summary of the Overall Mean of the Level of Implementation of the BMBE in Metro Manila



There is a significant difference between the ideal and actual level of promotion (in terms of awareness of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and identified Sectors. There is a significant difference between the ideal and actual level of implementation (in terms of experience of microentrepreneurs) of the BMBE Law in Metro Manila across the 17 cities and the identified Sectors. Finally, there is a significant difference between the ideal and actual level of effectiveness in terms of satisfaction to microentrepreneurs across the 17 cities and the identified Sectors.

RECOMMENDATIONS:

- 1) A marketing plan on how the BMBE Law will be disseminated must be developed by the MSMED Council through the DTI in coordination with the proper local government units.
- 2) A market study on ambulant vendors must be conducted by the Department of Trade and Industry, through the MSMED Council, on the possibility of assisting them to become legitimate enterprises through registration under the BMBE Law. Hopefully, the findings of the study will provide a ballpark figure on the revenues to be collected and generated from such endeavor.
- 3) A strategic plan must be specially created by the MSMED Council on how the BMBE Law will be fully functional to help registered microenterprises in their financial hurdle during the early years of their business operations.
- 4) Active participation of microbusiness organizations and associations must be sought in order to determine the needs of the barangay microbusiness enterprises.

5) The academe should practice its corporate social responsibility by conducting free seminars in their respective communities on how to avail the benefits and privileges of the BMBE Law. In this regard, proper coordination with the Department of Trade and Industry through the Negosyo Centers must be sought.

6) There must be an amendment to the BMBE Law and Go Negosyo Act to include criminal prosecution of public officials under the Anti-Graft and Corrupt Practices Act and providing stiffer penalties for failure to effectively implement said laws.

7) Private consultants who are experts in the field of doing marketing research, marketing plans and strategic plans may be sought by the MSMED Council in order to effectively create an effective output that will make the BMBE Law fully functional.

8) Local government units must actively participate/cooperate with the MSMED Council for the development of the action plan on how the BMBE Law will be effectively implemented.

9) The Department of Trade and Industry and local government units must cooperate and exert all efforts to develop strategies on how to streamline the process and paperwork for purposes of applying for registration under the BMBE Law.

REFERENCES

- [1] Calderon, J. & Gonzales E. (1993), *Methods of Research and Thesis Writing*. Metro Manila: National Books Store.
- [2] Colina IV A. (2012), 'BMBE suffers from flaws,' 12 February, viewed 29 September



- 2013,
<http://www.sunstar.com.ph/davao/business/2012/02/12/bmbe-law-suffers-flaws-205732>.
- [3] Department of Trade and Industry (2003), Department Administrative Order No. 01 Series of 2003, SUBJECT: Implementing Rules and Regulations of R.A. 9178, Otherwise known as the “Barangay Micro Business Enterprises (BMBEs) Act of 2002,” 07 February.
- [4] Department of Finance (2004), Department Order No. 17 – 04, Guidelines To Implement The Registration Of Barangay Micro Business Enterprises And The Availment Of Tax Incentives Under R.A. 9178, Otherwise Known As The “Barangay Micro Business Enterprises (BMBEs) Act Of 2002,” 20 April.
- [5] Desiderio, L. (2015), “DTI releases implementing rules for Go Negosyo Act, 2 January 2015 viewed 28 June 2015, <http://www.philstar.com/business/2015/01/02/1408526/dti-releases-implementing-rules-go-negosyo-act>
- [6] Domingo, E. (2004), “Measuring the Non-observed Economy (NOE): The Philippine Experience,” De La Salle University, Manila.
- [7] Dychiu, S. (2009), “Quiapo Church Battles Abortion in front yard,” 18 October viewed on 28 June 2015, <http://www.gmanetwork.com/news/story/174985/news/specialreports/quiapo-church-battles-abortion-in-front-yard>
- [8] Lariosa, J. (2014), “Erap Not Ready to Hang Up Political Gloves Yet,” last viewed on 28 June 2015, <http://www.mabuhayradio.com/politics/erap-not-ready-to-hang-up-political-gloves-yet>
- [9] McMillan, J. & Schumacher, S. (2001), *Research in Education: A Conceptual Introduction*, Addison Wesley Longman Inc., New York, 5th Edition.
- [10] Philippines (2014), Republic Act No. 10644, An Act Promoting Job Generation and Inclusive Growth through the Development of Micro, Small and Medium Enterprises, Author, Senate and House of Representatives of the Philippines.
- [11] Philippines (2010), *Republic Act No. 9178, An Act To Promote The Establishment of Barangay Micro Business Enterprises (BMBEs), Providing Incentives and Benefits Therefor, and For Other Purposes*, Author, Senate and House of Representatives of the Philippines.
- [12] Sauler, E. (2013), “Manila Vendors Expose New Village Chief for ‘kotong’,” 19 December, last viewed on 28 June 2015, <http://newsinfo.inquirer.net/548885/manila-vendors-expose-new-village-chief-for-kotong>
- [13] Shajahan S. (2004), *Research Methods for Management*, Jaico Publishing House, Second Edition.
- [14] Tax and Accounting Center Inc. (2012), *BMBE Law eyed for amendments*, 14 May, last viewed 29 September 2013, <http://taxacctgcenter.org/bmbe-law-ra-9178-amendment/>
- [15] Trochim, W.M.K. (2006), *Research Methods Knowledge Base (Web Center for Social Research Methods)*, last viewed 25 September 2011, <http://www.socialresearchmethods.net/kb/samponon.php>.