

Business Profiles as Determinants of Business Outlook of Micro Small and Medium Enterprises

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Abstract: This study was conducted to determine the influence of the business profiles on the business outlook of Micro Small and Medium Enterprises of the Island Garden City of Samal, Davao del Norte. The total respondents used in this study are 100 micro small and medium enterprises which are divided into five groups employing stratified sampling technique. Descriptive statistics and Cramer V were used to test the hypothesis of the study. Results of the study showed that the overall level of perception in business outlook in the Island Garden City of Samal is high. The variables in this study which were found to have some association are: nature of business and sales/demand; nature of business and labor market; nature of business and labor market; nature of business and price; nature of business and price; nature of business and price; business size and inventory; business size and labor market; and business size and price.

Keywords: business profile, business outlook, nature of business, size of business, Philippines.

I. INTRODUCTION

Reports from the Federation of Small Business and Lloyds Bank have recently demonstrated a drop in business confidence from small businesses in the UK. The bi-annual 'Business in Britain' reports from Lloyds Bank mirror these findings, outlining that small and medium-sized enterprises (SMEs) are currently experiencing a gloomy outlook when looking ahead into the new financial year. Concerns regarding the future of the Euro zone, Brexit and the demand for overseas exporting were the principal factors listed as affecting business confidence, with 31 percent stating that their biggest worry was weaker domestic demand. In response to this fall in business confidence, many SMEs are approaching 2016 with a nervous outlook, pausing growth plans, stopping significant commercial changes and, most worryingly, ceasing investment. Having a positive business outlook will help businesses reap the rewards that domestic growth has to offer and prepare ahead of time for those uncertainties beyond business control (Ewen, 2016).

The Association of Southeast Asian Nations (ASEAN) growth momentum lost some steam in 2013, impacted by higher inflation and rising interest rates in Indonesia and political uncertainties in Thailand. Developments in ASEAN are likely to remain uneven (IMF, 2014). Business slowdown is expected in Asia/Pacific region in 2016 (Dun & Bradstreet, 2015) where growth rates of China, India and Southeast Asia are unlikely to see significant improvement in 2016 compared to this year (The Conference Board, 2015).

Surveys of business activities conducted also showed that global business activity in 2016 began on a weak note. Among economic indicators suggesting weakness in global activity are: U.S. service sector purchasing managers' index (PMI) from

data vendor market for January fell to 53.2; in the Euro zone business activity, there was additional pressure on the European Central Bank (ECB) to ease monetary policy again. Market's euro zone composite PMI, seen as a good guide to economic growth, fell to 53.6 from December's 54.3 (Cable, 2016).

In the Philippines, business reaction turned bearish in the first three months of the year after hitting a two-year high in the fourth quarter of 2015 due to the usual slowdown in business activity after the holiday season and growing concerns about the outlook for global growth amid the continued weakness in China. Rosabel Guerrero, Director of the BSP's Department of Economic Statistics, said the Business Expectations Survey (BES) overall confidence index declined to 41.9 percent in the first quarter from 51.3 percent in the fourth quarter (Agcaoli, 2016). Across different types of businesses, the sentiment was mixed for the first quarter of 2016. The outlook of importers and domestic-oriented firms was less sanguine due to lower seasonal demand and stiffer competition. Firms across employment size were less optimistic but turned more upbeat for the second quarter of 2016. The biggest decline in optimism during the current quarter was recorded among small-sized firms. Business sentiment was mixed across sectors for first and second quarter 2016. The outlook of the services and wholesale and retail trade sectors for the current quarter was less favorable compared to that in the previous quarter, following the national trend. In line with the favorable but lower overall business confidence for the first quarter of 2016, the sentiment of firms about their own business operations was less upbeat across sectors compared to that a quarter ago (Bangko Sentral ng Pilipinas, 2016).

In the regional level, mixed outlook across regions for the current and next quarters were noted based on the Business Expectation Survey (BES) conducted as reported by the Bangko Sentral ng Pilipinas (BSP) for the first quarter of 2016. Firms in region XI has the same sentiment with firms in Regions I, II, III, V, IX, and XII, while remaining positive, was less optimistic, similar to the national trend. Part of Region XI is Davao del Norte where the Island Garden City of Samal (IGACOS) is located. The local government is expecting to benefit from the influx of tourist in Samal being one of the tourist destinations in the Philippines. According to Carillo (2015), boom in Samal economy is expected with the completion of the 31.4 km tourism road. The local businessmen mostly from the small medium enterprises (SMEs), although looking forward for a brighter business prospect are worried about some regional economic problems such as increasing inflation rate, increasing interest rates, and peace and order which may affect their business perspective.

In view of the above situation, the researcher finds this study very timely and relevant to the present situation as the study involves describing the business profile and business outlook of the businesses in the Island Garden City of Samal, Davao del Norte. The City is in its early stage, having been created in 1998, has become a target place for both local and foreign investors. A need for a study on the business outlook projections by the local entrepreneurs specifically from the MSMEs is very important in enticing more investors to open up investment in the city and also to encourage existing business owners to put more capital to expand their business and meet demands for the anticipated economic boom of the island in the coming years. However, no research of the same scope has been done by any group or individual as accorded by the Local Economic Council of IGACOS.

A. Research Objective

The main objective of this study is to determine the significant relationship between the business profiles and business outlook of Micro Small and Medium Enterprises of the Island Garden City of Samal, Davao del Norte. Specifically it has the following objectives to achieve:

1. To describe the business profile of Micro Small and Medium Enterprises (MSMEs) in the Island Garden City of Samal in terms of:
 - 1.1 size of business,
 - 1.2 nature of business, and
 - 1.3 number of years in business
2. To determine the perceived level of business outlook of Micro Small Scale Medium Enterprises (MSMEs) in the Island Garden City of Samal in terms of:
 - 2.1 sales or demand,
 - 2.2 Inventories,

2.3 ability to meet demand,

2.4 investment intentions,

2.5 labor markets and

2.6 prices

3. To determine significant relationship between business profile and business outlook of Micro Small Medium Enterprises in the Island Garden City of Samal (IGACOS).

B. Review of Related Literature

Micro small medium enterprises. In developing the Philippine economy, micro- small and medium enterprises (MSMEs) have a very vital part in reducing poverty by creating employment for the country's increasing labor force. They induce economic development in the country side and far flung areas; serve as important partners to big enterprises as suppliers and contributor of support services. They also serve as breeding area for new would be entrepreneurs and large corporations. A lively MSME sector is thus an indication of a blooming and growing economy. It was also noted that even with the presence of policies that intend to provide an enabling environment for MSME development, the sector is still confronted with so many restrictions that prevent it from realizing its full growth and potential. An MSME in the Philippines is defined as any business activity or enterprise engaged in industry, agri-business and/or services that has an asset size (less land) of up to PhP100 million; and an employment size with less than 200 employees. Based on these categories, it is classified as micro, small or medium regardless of the type of business ownership (i.e., single proprietorship, cooperative, partnership or corporation) (Philippine Senate, 2012).

Size of Business. There is a total of 777,687 business enterprises in the Philippines as of 2010. Of this figure, MSMEs are 774,664 establishments or 99.60 percent while larger business enterprises are 3,023 in number or 0.40 percent. Meanwhile, of the total number of MSMEs listed 709,899 are micro enterprises or 91.60 percent and 61, 979 or 8 percent are small enterprises, and 2, 786 or 0.40 percent comprises the medium business enterprises (Philippine Senate, 2012)

Nature of Business. Overall, there are 384, 746 business establishments or 49.7 percent of MSMEs which are engaged in the wholesale/retail trade and repair services while 111, 366 business establishments or 14.4 percent are in the manufacturing sector and 96, 989 business establishments or 12.5 percent are in the hotels/restaurants industries. There are 47, 659 or 6.10 percent MSMEs which are engaged in the real estate and renting business activities while those who are engaged in the community, social and personal service activities total 44, 209 or 5.7 percent. The other 11.60 percent of the remaining MSMEs are engaged in health and social work; financial intermediation; education; transport storage and communications; agriculture, hunting and forestry; construction; electricity, gas and water; fishing; and mining and quarrying (Philippine Senate, 2012).

Global business outlook. According to Thumbtack's Chief Economist Jon Lieber, the United States economy as observed by the small businesses has improved over the last year but present trends showed that the small businesses overall feeling about the future is less optimistic. Also, the expectations on future economic conditions are on a five month decline, and employment expectations have decreased slightly since March basing on a report coming from the US Small Administration, small businesses make up the fastest-growing segment of the economy and account for 97 percent of private employees. Survey results conducted by Cargo and Tulana showed that small-business owners are showing a more positive outlook for 2014 compared to 2013 and the survey also revealed that small-business owner optimism rise to 71 percent, an increase from 65 percent in 2013 (Aredas, 2015).

Meanwhile, nearly four of five business owners expect their company to grow through the end of the year. The survey asked small-business owners about their hopes for future business, their concerns, and their overall feelings of the goods and services marketed to them. Above results according to Todd Hollander, Head of Business Banking, as told to Wall Street Journal, the results reveal the sanguinity they have seen among small business owners as they continue to generate new business and expand, but with some cautions based on past economic challenges. He said that that at this point, stability is the key as most entrepreneurs move forward in terms of capital spending - business owners are ready to invest in their businesses, and the Business Banking remain ready to help these small business owners with products and services tailored for them (Central Bank AC, 2016).

In Europe, the European Commission has also updated its projections for the European Union (EU), expecting a positive growth rate of +1.30 percent, +1.50 percent and +2.00 percent, for 2014, 2015 and 2016 respectively. The labor market in European Union is again expecting a double digit unemployment rate, and private and public consumption are projected to increase moderately. Net exports on the other hand, remain to be the most powerful growth contributor in 2013, just as in the last three years. As accorded by European Commission, domestic demand is expected to become the main contributor to growth (Kraemer-Eis, Lang and Gvetadze, 2015). In Asia, Japan's growth in the first quarter of 2015 was stronger than projected, supported by an increase in capital investment. However, consumption remains slow and more than half of quarterly growth resulted from changes in inventories (International Monetary Fund, 2015)

Business outlook surveys and indicators. Business Outlook Surveys are qualitative surveys to track the current economic situation and to forecast short-term trends. There are being conducted towards business organization heads of offices and among households to provide an overview of a given sector of activity and to gain some insights into some areas that are not covered or are covered later by classical statistics (Business Outlook Survey, 2016). Business outlook may have the following indicators, namely: *sales or demand, inventories, ability to meet demand, investment intentions, labor markets, and prices* (Martin and Papile, 2004).

Sales or demand. Every year is different so that it is necessary to list any changing conditions that could drastically affect company sales. These factors - recognized as the sales forecast **assumptions** - form the basis of the company's forecast. Calculating the sales forecast of business starter could be exhausting but not for established business organization since they will be taking into account previous sales records over the same time period, the current market and other economic situations. At the start, the management may analyze past sales experience by product lines, territories, types of customers and other important details. The management also needs to consider some time (five to ten years) to identify trends and patterns in the growth and decline of sales (Info-Entrepreneurs, 2009). Another indicator for this item is the *expected future sales* of the business entity, the increase of sales volumes over the year. The sales forecast is a projection of the business enterprise sales for some future time period. These forecasts are usually based on current sales trends, competitive developments, and economic trends in the industry, region, and/or nation in which the organization conducts business activities (Reference for Business Encyclopedia, 2017).

Inventories. Inventory imbalance was described by Martin and Papile (2004) as the desired level of inventories as compared to the current level. Inventory fluctuation weakens the economy, and now many businesses are carrying too much inventory, resulting to their disadvantage and to the whole country's economy. For businesses, the build-up in inventory is a threat. Although these inventories can be sold they can also become obsolete or "walk out the door" through employee theft. What is depressing is that businesses are supposed to cut down their inventories but they are not doing it leading to an increase in the inventory-sales ratio. These results severely becomes a problem for both the economy and business enterprises. The economic problem is that if these inventories will be cut in the future, demand for good may decrease and will result to cutbacks in production (Forbes, 2014).

Ability to meet demand. Another indicator of business outlook is the *ability to meet demand* which is the impending level of difficulty in meeting an unexpected growth in demand or sale as described by Martin and Papile (2004). Supply and demand has been a powerful factor in the capitalist system. Managers and business enterprise owners therefore have to be alert when making decision against popularity and availability of products and services. An accurate understanding of supply and demand can denote the difference between high profitability and missed revenue (Saez, 2014).

Investment intentions. A further indicator of business outlook is the *investment intentions in terms of machineries and equipment* which is the degree of investment spending on these capital equipment over the year (Martin and Papile, 2004). Investment spending is directly related to economic activity because it is the most unstable component of GDP and plays a very important role in the long and short run growth. It connects the present with the future and is a part of overall financial planning (Ahmad, Luqman & Hayat, 2012). In Australia and other countries, business investment has conventionally identified as a key driver of the business cycle, rising strongly during periods of firm economic growth and falling sharply during economic downfall. It also affects the economy's long-term growth rate when supply capacity of the economy is expanded.

Investment decisions are influenced by current and expected profitability, the cost, as well as, the availability of funds. These factors were emphasized in the neoclassical model of investment, which predicts that firms invest until the declining

marginal product of capital equals the cost of capital. Firms more likely to invest when the prices of outputs to be sold are high and when cost of funds are also low. The biggest components of business investment are the machineries and equipments needed in the production which include motor vehicles and aircraft, computers, electrical equipment and industrial machinery. Machinery and equipment investment is relatively volatile from quarter to quarter, in part reflecting the timing of expenditure on large items (Reserve Bank of Australia, 2009). *Investment intention in terms of buildings* which is the intensity of investment spending on buildings over the year was also measured in the study of Martin and Papile in 2004. In Australia, building investment is approximately about 3½ % of its GDP and includes the construction of commercial and industrial buildings such as offices, warehouses and shopping centers, educational, health and entertainment facilities (Reserve Bank of Australia, 2009).

Labor markets. Finally, the last indicator for this category is *outlook for labor market* which is the quantity of employees (full-time equivalent) employed by the business enterprise over the year (Martin and Papile, 2004). Recent studies by Kapos (2005) and Dopke (2001) revealed that there is a positive and strong relationship between economic growth and employment which implies that economic growth creates new jobs, but of varied level from one period to another, and from one country to another. According to Schmid (2008), the type of economic growth (extensive or intensive), is an essential factor that ascertains the tempo of job creation in relation to economic growth. Therefore, the economic growth (GDP growth - aggregate production) as reaction to the aggregate demand growth, can be achieved in different ways: either the quantity of inputs (labor force, capital, etc) increases and results to extensive growth, or the productivity of factors of production increases (intensive growth), or a combination of the two possibilities.

Results of the study conducted by Herman (2011) showed that the degree of the economic growth process on employment differs from one country to another according to the type of economic growth (extensive or intensive), the employment - sectoral structure, and the labor market flexibility. It was also found out that in European economies, the labor market is more elastic when the share of employment in services is high, and when economic growth is extensive, the intensity of employment is also high. Related to outlook for labor market is *labor shortage* which is defined as situation wherein the organization is confronted by lack of labor supply and thus cannot meet demand (Martin and Papile, 2004). According to Martin (2015), the slowing economic growth in Japan is caused by aging labor force, educational gaps and immigration control.

Terry (2005) described that labor shortage has been recognized nationally as a key force in driving change for so many years and is projected to continue into the future with the shortage having greater impact on the hospitality industry. Angelo and Vladimir (2004) argued that labor shortage is even much bigger for resorts that are typically located in remote areas with a high cost of living, low unemployment rates, and a seasonal need for employees.

Prices. The *outlook for input price and output price* was described by (Martin and Papile,(2004) as the raise in the prices of products or services bought over the year. The credible safeguarding of price stability will make individuals and firm to less likely divert resources from productive uses to protect themselves from the increase or decrease of prices of goods and services. Since full indexation is too costly in an economic environment where inflation is high, there is a reason to store real goods, since in such circumstance they retain their value better than money or certain financial assets. However, too much storing of goods is clearly not an efficient investment decision and prevents economic and real income growth (Gerdesmeier, 2007).

Another indicator for this category is the *inflation-expectation index* which is the business enterprise's expectations for the average annual rate of Consumer Price Index (CPI) inflation over the next two years (Martin and Papile, 2004). In some studies conducted, financial market data were used to learn about the response of inflation assumptions towards international shock. In the United States, Gürkaynak, Sack and Swanson (2005) concluded that far-ahead nominal forward rates are quite responsive to news, and argue that there is difference in inflation outlook and this is caused likely by the shifts in the central bank's implicit inflation. Gürkaynak, Levin and Swanson (2010a) also came into same conclusion based on an analysis of the sensitivity of forward inflation compensation—the difference between nominal forward rates and real forward rates from the Treasury Inflation Protected Securities (TIPS) market. On the other hand, Beechey and Wright (2009), estimated that only small responses of forward inflation compensation to real-side macroeconomic news and point most of the effect of such news on nominal rates to the response of real rates

Philippines economic outlook. The Philippine economy is projected to have exceeded most of its Asian neighbors in 2015. The economic growth is led by domestic economy where the country showed fair flexibility to external factors such as

slowdown in China's economy and some turbulence in the financial market. Household spending was strong through the first nine months of the year, sustained by remittances coming from abroad and the increasing business process outsourcing sector. Fixed investment performed steadily on the back of the government's infrastructure projects. While government spending was weak at the beginning of 2015, it increased sharply in 3rd quarter but exports was weak all throughout 2015 and, together with increasing imports, pulled on the current situation. However, similar economic events are likely to take place in 2016. Growth will likely to come due to increase public spending ahead of May's presidential elections, from the persistently-low oil prices, an improvement in agricultural production and an increase in exports. In the political scene, the next president's stand on continued commitment to strong governance and infrastructure development will influence the country's medium-term growth prospects (Focus Economics, 2016).

The Philippines annual inflation rate dwindled to 1.3 percent in January of 2016 from 1.5 percent in December. Market consensus and core inflation eased to 1.8 percent from 2.1 percent. Monthly data on consumer prices showed an increase of 0.2 percent which is similar to December 2015. The inflation rate in the Philippines from 1958 to 2016 was 8.69 percent and reached an all time high of 62.80 percent in September 1984 and a record low of -2.10 percent in January 1959. Philippines trade deficit was reported to be USD1,937 million in October 2015 as compared to USD441.11 million difference the previous year and is the largest deficit recorded which can be accorded to sliding of exports and imports increasing as more than what is anticipated Trading Economics (2016). The positive outlook for Philippine construction on the other hand, was due to the strong support from the increase in public construction activities as well as sustained momentum in private construction activity (Business Monitor International, 2016)

C. Correlations between Measures

Results of the study by Doguwa, Olowofeso and Essien, (2015) pointed out that market behavior depends much on expectations about monetary policy and the effects of monetary policy on the economy, which includes effects on inflation, employment, and financial stability. Markets should behave as policy makers expect and policy makers should also behave as market expects. This inter-relationship forms the basis for the nexus between business outlook and monetary policy considerations.

Results from the same study of Doguwa et al. (2015) also showed that the outlook on business activity have information about future growth and investment, and provides a good measure of expectations for inflation, exchange, and borrowing rates. The findings point that there is a strong correlation between the following indexes (business activity, financial condition, average capacity utilization, access to credit) and monetary policy rate.

Overall results at the firm level of the study of Richards and Verstraete (2015) showed consistency with economic intuition. An example is when the firm is expecting increase pressures from the prices that it is paying, like hourly wages and input prices, it is inclined to expect a higher inflation. On the other hand, the firm that projects a decline in the prices they are paying tends to expect lower inflation. This situation is also true to firms which are reporting shortage of labor or increasing pressures on their production capacity generally anticipates higher inflation.

Results of the study conducted by Bauer (2014) revealed that there is a close statistical relationship between inflation compensation and long-term nominal rates. Unconditional correlations between daily changes in inflation compensation and in nominal rates are generally quite high, independent of the sample, frequency, or measure of inflation compensation. This correlation has varied over time, and its exact magnitude slightly differs between alternative measures of inflation compensation, but the overall picture that emerges is one of a quite strong co-movement. The high correlations suggest that variability in inflation compensation was important for variation in nominal interest rates. An additional point is that toward the end of the sample, correlations with nominal rates decrease significantly, which may be the result of the introduction of an explicit inflation target by the Federal Reserve and a consequently declining role for variation in inflation expectations most recently

The above compilation of related literatures strongly supports my study as it imparts economic knowledge and findings that will enhance and give clear discussions of my intended topics and conceptual framework.

D. Theoretical Framework

This study is mainly anchored on the proposition of Devadoss (2014) that the business outlook for the Asia-Pacific region can be broadly categorized as positive, but much depends on the type and size of firms, and in turn, their ability to move adeptly to extract profits from the modest revenue growth that is on offer.

II. METHOD

A. Research Design

The research design used in this study is a quantitative non-experimental using correlational technique since the study aimed to determine significant relationship between business profile and level of perception on the business outlook of Island Garden City of Samal, Davao del Norte, Philippines. According to Cooper and Schindler, (2007) descriptive survey design shall be used when the study aims to determine data on respondent's profile, their perception on some aspects of a study and their general perspective on a given survey question.

B. Research Locale

The research locale of the study is in the Island Garden City of Samal, Province of Davao del Norte, Island of Mindanao, Philippines as shown in Figure 2. It is located at the center of Davao Gulf estimated to be 900 meters east of Davao City from Babak District and about 10-15 minutes motor boat or ferry ride from Davao City. The biggest among the islets known as Talikud Island is about 2,500 meters from Poblacion, Kaputian District. In terms of business activities, there are existing collaborations among barangays and other LGUs which include investment incentives, MSME development, tourism development, organic agriculture, and environment protection and preservation.

The local government identified top three environment friendly initiatives that highly benefit business sectors are: implementation of ecological waste management program; approved city land use plan which included proper zoning of new investments; and coastal park which may bring opportunities for new investments. Telecommunications, cellular/mobile phone, broadband connection, roads, cable TV, post-harvest facility, irrigation, metered water supply farm-to-market road, and ports are the type of infrastructure developments present in the province that support or are open up for investment opportunities. Economic priorities in the city include: agriculture, hunting and forestry, hotels and restaurants (tourism), transport, storage and communications, wholesale and retail trade, tourism development, and trade and investment (*City Tourism Office, 2014*).

C. Population and Sample

The total population of the respondents used in this study is 100 micro small and medium enterprises which were divided into five groups namely: retail/wholesale/general merchandise, trading/buy and sell/ financial institutions, tourism establishments, and transportation services. Each sector was represented by 20 respondents. Stratified sampling specifically equal allocation was used as the sampling technique in this study so as to have a precise sample. According to Weiss (2007), this sampling design is used when equally accurate estimates are needed for each echelon, as well as, for the overall population. This technique is characterized by having each stratum allocated with an equal number of sample units. It is used when same level of precision is required for each stratum (per set of respondents in this study) as well as, for the overall population.

D. Research Instrument

The main instrument used in this study was an adopted questionnaire from Bank of Canada Business Outlook Survey by Martin and Papile (2004) which was modified for use in the local setting and after which underwent validation by experts in the field. The questionnaire consists of two parts: Part 1 which determined the profile of business and Part 2 which determined the business outlook of the business owners.

The following range of interpretation was used to describe the obtained percentage mean value:

| Percentage Mean Range | Descriptive Level | Interpretations |
|-----------------------|----------------------|--|
| 80.01-100.00 | Very highly positive | Very large percentage of respondents answered YES. |
| 60.01-80.00 | Highly positive | Large percentage of respondents answered YES. |
| 40.01-60.00 | Moderately positive | An average percentage of respondents answered YES. |
| 20.01-40.00 | Negative | Minimum percentage of respondents answered YES. |
| 0.00-20.00 | Very negative | Very minimum percentage of respondents answered YES. |

E. Data Collection

In the collection of data, the first thing that was done by the researcher was to submit a proposed title for approval. Upon approval of the proposed title, compilation of Chapters 1 and 2 was conducted which include the collation of the literatures and writings of well-known gurus in the field of study. After finishing the compilation of chapters 1 and 2 the researcher preceded by the modification for local use of the adopted questionnaire and which subsequently underwent content validity by experts. The next activity after the validation of the questionnaire was the distribution and retrieval of the questionnaire which was followed by the collation of data. An equal allocation of samples was made by the researcher in the distribution of the questionnaire. If there are refusals made, the researcher looked for another prospective until the desired number of 20 samples per business category was met. The retrieved questionnaire was reviewed by the researcher and if needed asked for clarification of the answers from the respondents. Finally, the data underwent statistical treatment before the results were discussed and presented. The study was conducted on June 2016.

F. Statistical Tools

Descriptive statistics and test for correlations were used in the treatment of data.

Frequency and percentage were used to determine the distribution profile of the business in IGACOS, as well as, the percentage level of the business owners perception on the economic outlook.

Cramer V was used to determine the significant relationship between business profile and business outlook of Micro Small and Medium Enterprises in IGACOS.

III. RESULT

A. The Business Profile of Micro Small and Medium Enterprises (MSMEs) in the Island Garden City of Samal

Shown in Table 1 are the business profiles of micro small scale business enterprises in the Island Garden City of Samal during the period of the study. In terms of *nature of business*, results showed that each nature of business is equally distributed with twenty counts each or twenty percent each per category. In terms of *size of business* which has ten categories, it can be noted that Cottage category has 24 counts or 24 percent with capitalization of Php50, 000 to less than Php200, 000. Micro enterprises with a capital of Php50, 000 and below income next with 21 counts or 21 percent. It was followed by Medium A with 20 counts or 20 percent with capitalization of Php500, 000 to less than Php2 Million; then come Small business enterprise category with 15 counts or 15 percent Php200, 000 to less than Php2 Million. Comes next with four counts each or 4 percent per category are Medium B, Large A, and Large D business categories with respective capitalization of Php2 Million to less than Php5 Million, Php10 Million to less than Php20 Million, and More than Php100 Million.

Table 1: Profile of Micro Small and Medium Enterprises in Island Garden City of Samal

| Nature of Business | | Frequency | Percentage |
|------------------------------------|--|-----------|------------|
| Retail/ Wholesale/ Gen Merchandise | | 20 | 20.00 |
| Trading/ Buy and Sell | | 20 | 20.00 |
| Financial Institutions | | 20 | 20.00 |
| Tourism Establishments | | 20 | 20.00 |
| Transportation Services | | 20 | 20.00 |
| Total | | 100 | 100.00 |

| Size of Business | Capitalization | Frequency | Percentage |
|------------------|---------------------------------------|-----------|------------|
| Micro | Below Php50, 000 | 21 | 21.00 |
| Cottage | Php50, 000 to less than Php200, 000 | 24 | 24.00 |
| Small | Php200, 000 to less than Php500, 000 | 15 | 15.00 |
| Medium A | Php500, 000 to less than Php2 Million | 20 | 20.00 |

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| | | | |
|----------|---|--------|------|
| Medium B | Php2 Million to less than Php5 Million | 4 | 4.00 |
| Medium C | Php5 Million to less than Php10 Million | 3 | 3.00 |
| Large A | Php10 Million to less than Php20 Million | 4 | 4.00 |
| Large B | Php20 Million to less than Php50 Million | 2 | 2.00 |
| Large C | Php50 Million to less than Php100 Million | 3 | 3.00 |
| Large D | Php100 Million and above | 4 | 4.00 |
| Total | 100 | 100.00 | |

| Years in Business | Frequency | Percentage |
|-------------------|-----------|------------|
| 0 – 2 years | 21 | 21.00 |
| 3 – 5 years | 28 | 28.00 |
| 6 – 8 years | 12 | 12.00 |
| Above 9 years | 39 | 39.00 |
| Total | 100 | 100 |

Medium C and Large C business enterprise categories comes next with three counts or three percent per category with capitalization of Php5 Million to less than Php10 Million, and Php50 Million to less than Php100 Million. Finally, the Large B business enterprise has two counts or two percent with capitalization of Php20 Million to less than Php50 million. In terms of *years in business*, it can be established that majority of the business enterprises have more than nine years of operation with 39 counts or 39 percent; followed by those with three to five years of operation with 28 counts or 28 percent; then by those operating two years and below with 21 counts or 21 percent; and lastly by those operating six to eight years with 12 counts or 12 percent. Based on the data established, it can be said that profiles of MSMEs in Island Garden City of Samal are diverse which is very useful to the study.

B. The Perceived Level of Business Outlook

Shown in Table 2 is the business owner’s perceived level of business outlook in the Island Garden City of Samal. Overall results as presented in Table 2 showed that business owners perceived the level of business outlook to be *highly positive* as indicated by the obtained overall percentage average of 64.36 percent response indicative that a large number of the business owners are agreeable of a bright business outlook in the Island Garden City of Samal in the coming year. The generated overall percentage average was the result obtained on the percentage scores of the six indicators under study. It was established that of the six indicators under study, indicator *ability to meet demand* has the highest percentage mean of 82 percent; followed by indicator *sales* with a percentage mean of 71.50 percent, then

Table 2: The Perceived Level of Business Outlook

| Indicators | Percentage (%) | Descriptive Equivalent |
|------------------------|----------------|------------------------|
| Sales | 71.50 | Highly positive |
| Inventories | 67.50 | Highly positive |
| Ability to Meet Demand | 82.00 | Very highly positive |
| Investment Intentions | 51.50 | Moderately positive |
| Labor Market | 44.00 | Moderately positive |
| Prices | 69.70 | Highly positive |
| Overall | 64.36 | Highly positive |

by indicator *price* with 69.70 percentage mean; then by indicator *inventories* with 67.50 percentage mean. It can be noted that indicators labor and investment intentions got the lowest percentage mean with 44 percentage mean and 51.50 percentage mean respectively.

Table 2 show the respondent's perceived level of business outlook in terms of *sales*. Results showed that the obtained percentage mean for was 71.50 percent which can be described as *highly positive*. The highly positive level description denotes that 60.01 - 80.00 percent of the respondents answered in the positive. The highly positive business outlook of the respondents suggest that they believed that *the volume of sales have increased over the year as compare with the past year, and they assume that volume of sales will increase in the coming year as compared with the past year.*

Illustrated in Table 2 displays the respondent's perceived level of business outlook in terms of *inventories*. Results showed that obtained percentage mean of 67.50 percent which can be described as *highly positive*. The highly positive level description is indicative that 60.01 - 80.00 percent of the respondents answered in the affirmative. The highly positive business outlook of the respondents is suggestive that they accept as true that their *present level of inventories exceed their desired level of inventories, as well as, having plans to adjust production over the next six months in order to bring inventories to the desired level.*

Presented in Table 2 is the respondent's perceived level of business outlook in terms of *ability to meet demand*. It was established that the obtained percentage mean was 82.00 percent which can be described as *very highly positive*. The very highly positive level description means that 80.01 – 100.00 percent of the respondents have assenting answers. The very highly positive outlook of the respondents concur that their businesses has the *ability to meet unexpected increase in sales or demand, and they also anticipate the condition to continue over the next two quarters even if they operate at near full or beyond capacity.*

Exhibited in Table 2 is the respondent's perceived level of business outlook in terms *investment intentions*. Result showed that business outlook of the respondents in terms of this criterion is *moderately positive* as indicated by the obtained percentage mean of 51.50 percent. The moderately positive level signifies that only 40.00 – 60.00 percent of the respondents responded positively. The moderately positive outlook of the respondents partially suggests that *they do not expect their investment expenses on machineries and equipments in the current year, and they also do not expect investment spending on buildings to be higher in the current year.*

Revealed in Table 2 is the respondent's perceived level of business outlook in terms *labor market*. It was established that business outlook of the respondents in this criterion is moderately positive as reflected by the obtained percentage mean of 44 percent. The moderately positive level denotes that only 40.01 – 60.00 of the respondents have assenting answers. The moderately positive level of the respondents is indicative that they partially *expect an increase in the number of employees; do not expect an increase in labor cost in the next 12 months; that their organization has an insufficient labor that restricts its ability to meet demand; and that there is an intense increase in labor shortage at present.*

Shown in Table 2 is the respondent's perceived level of business outlook in terms of *prices*. Results showed that the business outlook of the respondents in this criterion is highly positive as depicted by the obtained percentage mean of 69.70 percent. The highly positive level of respondent's business outlook signifies that 60.01 – 80.00 percent of the respondents have an affirmative response to the items in the questionnaire. This is indicative that *respondents agree that they expect an increase in the prices of the product and services they are using in operation in the last 12 months, as well as, in the incoming 12 months; and they also expect an increase in the yearly rate of inflation based on the consumer price index.*

C. Correlations between Measures

Presented in Table 3 are the correlations between MSMEs business profile and owner's perceived level of business outlook in the Island Garden City of Samal. In terms of *nature of business* and *perceived level of business outlook*, results showed that significant relationships were established between nature of business and sales/demand₁ (*Compared with the previous 12 months period, did sales volume over the past 12 months increase?*) as reflected by the obtained Cramer's V value of 0.332 with p-value of 0.026; nature of business and labor market (*Over the next 12 months, do you expect that the labor cost to increase?*) with an obtained Cramer's V value of 0.492 and p-value of 0.000; nature of business and labor market (*Does your organization have an insufficient labor that restricts its ability to meet demand?*) with Cramer's V value of 0.377 and p-value of 0.007; nature of business and price (*Do you expect an increase in the prices of the product and services that you are using in*

Table 3: Correlations between Micro Small and Medium Enterprises Business Profile and Level of Business Outlook

| Variable | Cramer V | p-value | Decision Ho |
|--|----------|---------|-------------|
| <i>Nature of Business and Sales Demand</i> | | | |
| Compared with previous 12 months Did sales volume over past 12 months increase? | 0.332 | 0.026 | Reject |
| <i>Nature of Business and Labor Market</i> | | | |
| Over the next 12 months, Do you expect labor cost to increase? | 0.492 | 0.000 | Reject |
| Does your organization have an insufficient labor that restricts its ability to meet demand? | 0.377 | 0.007 | Reject |
| <i>Nature of Business and Price</i> | | | |
| Do you expect an increase in the prices of the product and services that you are using in the operation over the past 12 months? | 0.331 | 0.027 | Reject |
| Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increase? | 0.453 | 0.000 | Reject |
| Do you expect an increase in the annual rate of inflation based on the consumer price index? | 0.326 | 0.031 | Reject |
| <i>Size of Business and Inventories</i> | | | |
| Compared to your desired level of inventories, Is the current level of inventories high? | 0.436 | 0.025 | Reject |

Size of Business and Labor Markets

| | | | |
|---|-------|-------|--------|
| Do you expect an increase in the number of employees in the organization? | 0.421 | 0.038 | Reject |
|---|-------|-------|--------|

Size of Business and Price

| | | | |
|--|-------|-------|--------|
| Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increase? | 0.446 | 0.019 | Reject |
|--|-------|-------|--------|

* $p < 0.0$

The operation over the next 12 months will increase?) with an obtained Cramer’s V of 0.331 and p-value of 0.027; nature of business and price₂ (*Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increase?*) with an obtained Cramer’s V value of 0.453 and p-value of 0.000; and lastly between nature of business and price₃ (*Do you expect an increase in the annual rate of inflation based on the consumer price index?*) with a Cramer’s V value of 0.326 and p-value of 0.031. No significant relationship was established on the other remaining variables as indicated by their obtained higher p-value as against 0.05 alpha level.

In terms of *size of business* and *perceived outlook of business*, it was established that significant relationship was established between business size and inventory₁ (Compared to your desired level of inventories, Is the current level of inventories high?); business size and labor market (*Do you expect an increase in the number of employees in the organization?*) and business size and price (*Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increased?*) as depicted by the obtained Cramer’s V value of 0.436; 0.421; 0.446 and p-value of 0.025; 0.038; 0.019, respectively, as compared to 0.05 alpha level. In contrast, no significant relationship was established on the other remaining variables as reflected by their higher obtained p-values as compared to 0.05 alpha level.

In terms of years in business, it can be noted that no significant relationship was established in any of the variables under study as shown by their obtained p-values which is greater than 0.05 alpha.

IV. DISCUSSION

A. The Micro Small and Medium Enterprises Business Profile

The MSME’s business profile of the Island Garden City of Samal in terms of nature of business, business size, and years in business is very diverse considering the number of participants in the three categorical profiles. In terms of nature of business, participants are from retail/ wholesale and general merchandise, trading/ buy and sell, financial institutions, tourism establishments, and from the transportation sector. In terms of business size, the business establishments were categorized as Micro, Cottage, Small, Medium A, Medium B, Medium C, Large A, Large B, Large C, and Large D. In terms of years in business, the business establishments were categorized as follows: two years and below, three to five years, six to eight years, and nine years and above.

B. The Perceived Level of Business Outlook in Island Garden City of Samal

Overall, the business owners perceived the level of business outlook in the Island Garden City of Samal to be *highly positive* which indicates that a large percentage of the business owners are agreeable of a bright business outlook in the city in the coming year. Of the six indicators under study, only *ability to meet demand* was described to be very highly positive, while indicators sales, inventories, and prices were described to be highly positive, and indicators investment intentions and labor markets were described to be moderately positive.

The highly positive level for sales indicates that a large percentage of the respondents have positive business outlook in terms of this criterion which is very motivating result since business owners are optimistic for very good sales forecast in the preceding year. According to Info-Entrepreneurs (2009), each year is entirely not the same thus, a need to list any changing circumstances that could significantly affect company sales. These factors - known as the sales forecast **assumptions** - form the basis of your forecast. The sales forecast is a prediction of a business unit and peso sales for some future period of time, up to several years or more. These forecasts are generally based primarily on recent sales trends, competitive developments, and economic trends in the industry, region, and/or nation in which the organization conducts business (Reference for Business Encyclopedia, 2006). Management must analyze previous sales experience by product lines, territories, classes of customers, and other relevant details. Management needs to consider a time line long enough to detect trends and patterns in the growth and the decline of dollar sales volume.

One more indicator in the study is the *inventories*. The highly positive level of perception in this criterion is indicative also that a large percentage of the business owners have positive business outlook in terms of this criterion which is very interesting since business owners find inventories to be less of a problem in their operation in the coming year. This means that they can manage their inventories in the desired level of amount as needed in their business operations. Inventory imbalance was described by Martin and Papile (2004) as the desired level of inventories as compared to the current level. Inventory swings destabilize the economy, and many businesses carry too much inventory, to the detriment of themselves as well as the entire country.

The business owners perceived level of business outlook in terms of *ability to meet demand* is very highly positive which indicates that a very large percentage of the business owners are optimistic that they meet the demand in the market which can be considered as a very remarkable result. According to Martin and Papile (2004), the *ability to meet demand* is the potential level of difficulty in meeting an unexpected increase in demand or sale. Supply and demand has been a driving factor in the capitalist system. Since managers are often responsible for organizing and ordering inventory, they need to be vigilant when it comes to popularity versus availability of products and services.

Another indicator of business outlook in this study is *investment intention* which was described to be moderately positive which is indicative that only an average percentage of the respondents have positive business outlook in terms of this criterion. This means that almost half of the respondents are unlikely to add additional capital on machineries, equipments and buildings in the coming year which is contrary to a good business outlook. According to Martin and Papile (2004), investment spending directly contributes to economic activity because investment is the most volatile component of Gross Domestic product (GDP). Investment plays vital role in the long run and short run growth. It links the present with the future. Investment decisions are influenced by current and projected profitability and the cost and availability of funds. These factors are emphasized in the neoclassical model of investment, which projects firms to invest until the declining marginal product of capital equals the cost of capital, with firms more likely to invest for outputs that can be sold at a higher price and with lower cost of funds (Reserve Bank of Australia, 2009).

Moreover, the level of respondent's perception on indicator *labor market* was described to be *moderately positive* which signifies that only an average percentage of the respondents have positive outlook on this criterion. This means that almost half of the numbers of the respondents are not agreeable that labor market in terms of labor demand and supply, as well as an increase in labor cost will be a problem in their operations in the coming year. It seems that only a number business owners in the area in this situation is not fully convinced that their operations will be hampered with labor demand and supply related problems. According to Kapos (2005) and Dopke (2001), there is a positive and strong relationship between economic growth and employment which means that economic growth generates new jobs, but of different intensity from one period to another. As averred by Schmid (2008), the type of economic growth (extensive or intensive), is an important factor that determines the rhythm of job creation in relation to economic growth. Therefore, the economic growth (GDP growth -aggregate production) as reaction to the aggregate demand growth, can be achieved in different ways: either the quantity of inputs (labor force, capital, etc) increases and then talk about extensive growth, or the productivity of production factors increases (intensive growth), or a combination of the two possibilities.

Finally, the respondent's level of perception on business outlook in terms of price was described to be high which indicates that a large percentage of the respondents are optimistic that there will be an increase in the price of their inputs in their business operations. This projection is in line with the *outlook for input price and output price* as described Martin and

Papile, (2004) to be a raise in the prices of products or services purchased over the year, and the raise in the prices of products or services that are sold over the year. Accordingly, the credible maintenance of price stability makes it less likely that individuals and firms will divert resources from productive uses in order to protect themselves against inflation or deflation.

C. Correlations between Measures

Individual test of relationship between indicators of business profile and owners business outlook revealed significant relationship on some variables namely: nature of business and sales/demand₁ (*Compared with the previous 12 months period, did sales volume over the past 12 months increase?*); nature of business and labor market (*Over the next 12 months, do you expect that the labor cost to increase?*); nature of business and labor market (*Does your organization have an insufficient labor that restricts its ability to meet demand?*); nature of business and price₁ (*Do you expect an increase in the prices of the product and services that you are using in the operation over the past 12 months?*); nature of business and price (*Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increased?*); nature of business and price₃ (*Do you expect an increase in the annual rate of inflation based on the consumer price index?*); business size and inventory (*Compared to your desired level of inventories, Is the current level of inventories high?*); business size and labor market (*Do you expect an increase in the number of employees in the organization?*); and lastly between business size and price (*Do you expect an increase in the prices of the product and services that you are using in the operation over the next 12 months will increased?*). These results showed that business profile *nature of business and business size* were found to have some association with some indicators of business outlook in the study. Since the above results yield a positive relationship on these variables in the study, the null hypothesis that business profile has no significant influence in the business outlook of Micro Small and Medium Enterprises in IGACOS is *rejected*.

The findings above corroborate the proposition of Devadoss (2014) that the business outlook for the Asia-Pacific region can be broadly categorized as positive, but much depends on the nature and size of firms, and in turn, their ability to move adeptly to extract profits from the modest revenue growth that is on offer. Results also partly support the proposition of Martin and Papile (2004) that business outlook indicators include sales/demand, labor and price.

D. Conclusion

This section presents the conclusions of the study which are based on the findings. It was concluded that the respondent's overall level of perception in business outlook in the Island Garden City of Samal is generally high indicative that many of the business owners are convinced that there is a bright prospect for their businesses in the coming years. It was also concluded that some of the data gathered and analyzed was found to have association between some of the variables under study. Among the variables in this study which were found to have some association are: nature of business and sales/demand; nature of business and labor market; nature of business and labor market₃; nature of business and price; nature of business and price; nature of business and price; business size and inventory; business size and labor market; and business size and price .

This study further strengthens the study conducted by Martin and Papile

(2004) that sales or demand, ability to meet demand, investment intentions, labor markets, and prices are strong indicators of business outlook. It also supports the results of previous empirical studies conducted (Saez, 2014; Martin and Papile, 2004) that sales, labor market, and price are associated with business outlook.

E. Recommendations

In light of the specific findings and conclusions of the study, the following recommendations are suggested. The significant relationship revealed between variables in the study (nature of business and sales; nature of business and labor market; nature of business and price; business size and inventory; business size and labor market; and business size and price) suggests that management of the different types of business must develop a very competitive logistical team that will provide the firms with a very good sales and demand forecast. The accuracy of the forecast will then be the basis of the firm's success in hiring additional labor in terms of manpower and equipment in the preceding year to meet production process of their products and services and in effect would lead to effective pricing of its product and services rendered. Management

must also consider using available software that would help them in their sales and demand projections. On the local government side, it is recommended that the local economic council of the City enhance its program for investment to entice more investors to come. They should come up with a very special business development plan tailored for different types of businesses so that more investments will come. Finally, the local government, as well as, the private business sector must also join hands in crafting the skills of the local residents to meet the increasing demands for labor in the future

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