JOURNAL OF INTERDISCIPLINARY PERSPECTIVES

ISSN Print: 2984-8288, ISSN Online: 2984-8385
Vol. 2, No. 10, pp. 220-231, October 2024

Compliance with Business Permits and Licensing System Requirements: Effects on Business Performance and Satisfaction Among MSMEs

Ace Gerome M. Niño*, Francisco E. Gentoral
University of San Agustin, Iloilo City, Iloilo, Philippines

*Corresponding Author Email: acgnino@usa.edu.ph

Date received: August 20, 2024
Date revised: September 3, 2024
Date accepted: September 9, 2024

Originality: 96%
Grammarly Score: 99%
Similarity: 4%

Recommended citation:
Niño, G., Gentoral, F. (2024). Compliance with business permits and licensing system requirements: Effects on business performance and satisfaction among MSMEs. *Journal of Interdisciplinary Perspectives*, 2(10), 220-231. https://doi.org/10.69569/jip.2024.0426

Abstract. This study investigated the relationships and differences among compliance levels, business performance, and satisfaction with the Business Permits and Licensing System (BPLS) requirements among 390 Micro, Small, and Medium Enterprises (MSMEs) in Iloilo City, Philippines. Using a descriptive, quantitative, and correlational design, the study sampled MSMEs from various industry sectors using the Input-Process-Output (IPO) model. Results show that MSMEs, particularly in sectors C and D, reported high compliance with BPLS requirements. It implies strong adherence to the requirement, suggesting effective engagement with the regulatory system. They also rated their business performance, including changes in gross sales, sales growth, capitalization, capital turnover, employee numbers, and overall satisfaction, as very good to excellent. It suggests they are experiencing strong financial performance, indicating a positive economic impact. High satisfaction with BPLS was also noted, which implies that the system is easy and efficient, leading to improved compliance and more favorable business conditions. T-tests and ANOVA revealed differences and similarities in compliance, business performance, and satisfaction across different business types and sectors, suggesting that these factors are affected by specific attributes of each business group. Pearson's correlation analysis indicated a negligible relationship between compliance and business performance, a very strong positive relationship between compliance and satisfaction, and a weak positive relationship between business performance and satisfaction. It implies that compliance significantly enhances satisfaction and has little impact on business performance. The study's recommendations, such as fully implementing an electronic BPLS and customer feedback system as part of the EODB law and including additional financial indicators in the unified application form, are of utmost importance. Future research should extend the analysis to other cities and local governments in the Visayas to further explore the linkage between compliance, business performance, and satisfaction.

Keywords: Business performance; Business permits and licensing system (BPLS); Compliance; Iloilo City, Philippines; Micro, small, and medium enterprises (MSMEs); Satisfaction.

1.0 Introduction

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the backbone of the Philippine economy, playing a pivotal role in fostering economic growth and stability. MSMEs contribute significantly to the country's economic fabric, accounting for 99 percent of total business establishments, generating 63 percent of employment, and contributing 40 percent to the Gross Domestic Product (Department of Trade and Industry, 2020). Beyond their direct contributions, MSMEs also serve as critical suppliers and service providers to larger enterprises, further embedding themselves into the broader economic ecosystem. The vitality of MSMEs is evident in their ability to enhance consumer welfare, support corporate expansion, generate tax revenue, and bolster the overall competitiveness of the Philippine economy.

As conceptualized by Michael Porter (as cited in Delgado et al., 2012), competitiveness hinges on the productivity and performance of enterprises, sub-sectors, or nations in delivering goods and services to the market. Productivity serves as a key indicator of economic performance, with the aggregated business outcomes across various sectors—including MSMEs—reflecting the overall economic health of a nation (Atkinson, 2013). Therefore, business performance becomes crucial, encompassing financial and non-financial metrics that contribute to a firm's competitiveness. Financial indicators include revenue growth, profit margins, return on equity, and employee satisfaction, while non-financial indicators focus on customer retention, brand development, employee engagement, and market share (Kotane & Merlino, 2012; Fatihudin et al., 2018). For MSMEs, robust business performance is essential for their growth, sustainability, and ability to drive broader economic development.

In recognition of the strategic importance of MSMEs, the Philippine government has enacted various policies to enhance their business performance and, by extension, national competitiveness. One such policy is the Ease of Doing Business (EODB) Law, a legislative measure aimed at streamlining government processes to foster a more conducive business environment (SEPO, 2012; DTI, 2021; Bhasin, 2019). The EODB Law is particularly relevant at the microeconomic level, where its impact on the performance of individual MSMEs is profound. According to Ketels (2014), drawing on Porter's framework, government intervention is critical in shaping a nation's economic performance. The EODB Law, by simplifying regulatory processes and improving service delivery, seeks to remove barriers to business operations, thereby enhancing the competitiveness of MSMEs.

A central component of the EODB Law is the Business Permits and Licensing System (BPLS), which aims to standardize and speed up obtaining business permits. The BPLS introduces a more efficient, transparent, and streamlined system, including implementing a Business One-Stop-Shop (BOSS), a unified application form, standardized requirements, and clear processing timelines (Joint Memorandum Circular, 2021). These reforms reduce the bureaucratic burden on businesses, improving their operational efficiency and overall performance. Furthermore, the EODB Law emphasizes the importance of client satisfaction as a metric for evaluating the success of these reforms. Implementing a feedback system, particularly through client satisfaction surveys, ensures that the reforms meet the business community's needs (Khadka & Maharjan, 2017; Hague & Hague, 2021).

While the EODB Law and its provisions, such as the BPLS, are intended to foster a more competitive business environment for MSMEs, there is a notable gap in the literature concerning the specific impact of BPLS compliance on the business performance of MSMEs in Iloilo City. Existing studies have largely focused on the broader implications of the EODB Law, with limited attention to how compliance with BPLS requirements influences individual MSME performance. This gap is significant, given that compliance with regulatory frameworks often determines business success, affecting access to resources, customer satisfaction, and overall competitiveness.

This study investigated the extent of compliance with BPLS requirements among MSMEs in Iloilo City and assessed how this compliance influences their business performance. By addressing this gap, the study aims to contribute to a more nuanced understanding of regulatory compliance's role in shaping the business outcomes of MSMEs. The findings of this research will provide insights into the effectiveness of the EODB Law in enhancing MSME performance and offer valuable implications for policymakers seeking further support for the growth and competitiveness of this vital sector.

2.0 Methodology

2.1 Research Design

The descriptive research method was used to evaluate the extent of compliance, level of business performance, and satisfaction of MSMEs. According to McCombes (2019), a descriptive research technique tries to characterize a population, circumstance, or phenomenon accurately and methodically. With this approach, the researcher only observes and collects data on the variables without exerting any control or manipulation over them. Furthermore, according to Akhtar (2016), descriptive or statistical research describes things as they happen. This study design identifies specific issues, such as those about groups, people, and communities, and knowledge is gathered. As a result, it provides information on social structure, events, and circumstances and responds to what, who, how, when, and where queries.

2.2 Research Participants

The population of this survey was obtained from the list of MSMEs registered in the Iloilo City local government as of 2021. The total number of MSMEs registered as of January 2022 is 16,066 (LEDIP Office, 2021). Using Slovin's formula, a sample size of 390 is needed. The primary data was gathered from the MSMEs located in different districts of Iloilo City through survey questionnaires; those districts were Arevalo, City Proper, Jaro, Lapaz, Mandurriao, and Molo. Likewise, the secondary data was gathered from the office of the Local Economic Development and Investment Promotion (LEDIP) of the Local Government Unit (LGU) of Iloilo City. The study respondents were based on the total sample size computed and stratified according to the (1) type of enterprises and (2) type of industry sectors.

2.3 Research Instrument

The research instrument is a self-made instrument consist of a four-part (4) questionnaire based on and aligned with the study's independent and dependent variables. Part A of the questionnaire refers to the respondents' business profiles. It allows the respondents to supply basic information such as the company name, person-in-charge, trade name, business address, contact details, type of organization, business enterprise, and industry sectors of MSMEs, which can be found in the BPLS forms. Part B of the questionnaire refers to the extent of compliance of MSMEs. It has two subparts allowing respondents to rate their compliance with BPLS requirements using the semantic differential scale. Part C of the questionnaire refers to the level of business performance of MSMEs. It has three subparts that allow the respondents to rate their business performance in terms of change in gross sales/receipts, change in capitalization, and change in number of employees. Part D of the questionnaire refers to the level of satisfaction of MSMEs with BPLS requirements. Four subparts allow the respondents to rate their satisfaction with BPLS requirements.

The questionnaire's reliability was determined and estimated through the pilot testing and subsequent validation (Royse et al., 2017). The pilot test findings gave the researchers an overall Cronbach's alpha score of 0.984. Therefore, the research instrument is trustworthy.

2.4 Data Gathering Instrument

A face-to-face survey was conducted using a pre-designed survey form for the primary data collection. In the secondary data collection, a formal letter was sent to request approval from the local economic development and investment promotion (LEDIP) office to provide the required data. This data will then be analyzed and simplified to highlight the necessary information, like the primary data, focusing on key indicators, such as the type of application, organization, business enterprises, industry sector, number of employees, gross sales/receipts, and capitalization.

2.5 Data Analysis

The statistical package for social science (SPSS) was used to process and analyze the data. The business profiles of the MSMEs were analyzed and interpreted when grouped according to the type of business enterprise and industry sectors. The extent of compliance of MSMEs with the BPLS requirements was analyzed and interpreted as a whole, and the groups were grouped according to the type of business enterprises and industry sectors using the SPSS tool. The level of satisfaction of MSMEs with the BPLS requirements was analyzed and interpreted as a whole and grouped according to the type of business enterprises and industry sectors using the SPSS tool. The level of business performance of MSMEs in terms of gross sales/receipts, capitalization, and the number of employees was analyzed and interpreted as a whole and grouped according to the type of business enterprises and industry sectors using the SPSS tool. The differences between the extent of compliance of MSMEs with the BPLS requirements, the level of business performance of MSMEs in terms of gross sales/receipts, capitalization, and the number of employees, and the level of satisfaction of MSMEs with the BPLS requirements when grouped according to the type of business enterprises, and industry sectors were analyzed and interpreted using the T-test and analysis of variance (ANOVA). The relationship between the extent of compliance, level of business performance, and satisfaction of MSMEs was analyzed and interpreted using Pearson R.

2.6 Ethical Consideration

The ethical concerns of this study were considered and addressed. According to Bryan and Bell, 2007 (as cited in Dudovskiy, 2019), (a) research participants should not be subjected to harm in any way whatsoever, (b) research participants should be prioritized with respect, (c) full consent should be obtained, (d) Protection of the privacy of the participants, (e) ensure the adequate level of confidentiality of research data, (f) ensure the anonymity of individuals and organizations, (g) avoid any deception or exaggeration of research aims and objectives, (h) affiliations, sources of funding, and conflict of interest should be disclosed, (i) ensure the honesty and transparency of communication, and (j) avoid misleading of information and prejudice to representation of primary data. The researcher excluded offensive, discriminatory, or unacceptable language from the formulated research questionnaires. The researcher prioritized the privacy of the respondents, adhering to the Philippine Data Privacy Act of 2012. This study maintained the highest level of objectivity in discussions and analyses throughout the research.

The risks encountered were the extent of compliance and business performance awareness of the respondents with BPLS requirements. The respondents may have answered the survey with partial knowledge about compliance procedures and the company's current business performance situation, which may affect the accuracy of the results. The respondents were engaged voluntarily without any payment involved. Using the results of this study, the respondents would be able to increase their awareness and understanding of the existing requirements and services of the local government. It would also enhance and improve the operations and services of the BPLS requirements by formulating and implementing strategic resolutions that will eventually be economically effective.

When responding to the extent of compliance with BPLS requirements, level of business performance, and level of customer satisfaction, the researcher avoided any conflict, or the appearance of a conflict, between personal interests and the interests of the respondents and the local government. Participants who had a conflict of interest or direct or indirect financial interest in the result of any transaction with the target respondents or the local government, whether they did so individually or collectively, were not allowed to participate in the study.

3.0 Results and Discussion

3.1 Business Profile of MSMEs

As shown in Table 1, the total of 390 MSMEs, when grouped according to the type of business enterprise, of 85% (332 out of 390) of the respondents are from micro business enterprise, 10% (39 out of 390) are from small business enterprise, and 5% (19 out of 390) are from the medium business enterprise. Likewise, when the MSMEs are grouped according to the type of industry sector, 4% (18 out of 390) of the respondents are from the Group A sector, 3% (10 out of 390) are from the Group B sector, 42% (165 out of 390) are from Group C sector, and 51% (197 out of 390) are from Group D sector.

Table 1. Descriptive statistics of the business profile of the respondents

	Frequency	Percentage
Type of Business Enterprise		
Micro	332	85%
Small	39	10%
Medium	19	5.0%
Type of Industry Sector		
Group A	18	4.0%
Group B	10	3.0%
Group C	165	42%
Group D	197	51%
Total	**390**	**100%**

3.2 Compliance of MSMEs with BPLS Requirements

Table 2 shows the MSMEs' rating in the extent of compliance with BPLS requirements when taken as a whole and grouped according to the type of business enterprise and industry sectors. When taken as a whole, the extent of compliance of MSMEs with BPLS requirements when respondents are taken is rated Very Highly Compliant. When grouped according to the type of business enterprise, the respondents from micro, small, and medium enterprises rated the extent of compliance of MSMEs with BPLS requirements as Very Highly Compliant. When grouped according to industry sector type, the respondents from Group A, Group B, Group C, and Group D sectors rated the extent of MSMEs' compliance with BPLS requirements as Very Highly Compliant.

Table 2. Descriptive statistics of the extent of compliance of MSMEs with BPLS requirements

	Mean	N	SD	Interpretation
Type of Business Enterprise				
Micro	6.21	332	0.65	Very Highly Compliant
Small	6.26	39	0.83	Very Highly Compliant
Medium	6.08	19	1.01	Very Highly Compliant
Type of Industry Sector				
Group A	6.18	18	0.33	Very Highly Compliant
Group B	6.55	10	0.14	Very Highly Compliant
Group C	6.41	165	0.55	Very Highly Compliant
Group D	6.04	197	0.79	Very Highly Compliant
Total	**6.21**	**390**	**0.69**	**Very Highly Compliant**

Legend: 1.00 – 2.2 - Not Compliant, 2.21 – 3.4 – Less Compliant, 3.41 – 4.60 - Moderately Compliant, 4.61 – 5.80 - Highly Compliant, 5.81 – 7.00- Very Highly Compliant

The result is consistent with the secondary data gathered from the local city government of Iloilo City. The data shows that the population of MSMEs fully complied with renewal and new applications for business permits and licenses. However, the data do not reveal the list of MSMEs that ceased to renew or applied for them. Though the result is seemingly as favorable as expected, for individuals who desire to launch their firm, the capacity to adhere to the standards presents another difficulty, so the government insisted on streamlining all agency's processes in compliance with EODB law (Crismundo, 2017). Complying with applied EODB government requirements, particularly the BPLS requirements, is the most basic, however important for starting business individuals (Bhasin, K., 2019). Although mandatory, small to medium businesses are willing to comply with the essential local requirements as this decreases the apparent consequences of not complying with them (Milano, 2018). Further, individual business owners believe that rules and regulations can help them more than harm them, as this will improve their business operations (Canare, 2018).

3.3 Business Performance of MSMEs

In terms of Gross Sales/Receipts

Table 3 shows the level of business performance of MSMEs in terms of gross sales/receipts when taken as a whole and grouped according to the type of business enterprises and industry sectors.

Table 3. Descriptive statistics of the level of business performance of MSMEs in terms of gross sales/receipts

	Mean	N	SD	Interpretation
Type of Business Enterprise				
Micro	4.93	332	1.05	Very Good
Small	5.26	39	1.15	Very Good
Medium	4.76	19	1.27	Very Good
Type of Industry Sector				
Group A	6.39	18	0.53	Excellent
Group B	6.50	10	0.47	Excellent
Group C	4.83	165	1.19	Very Good
Group D	4.85	197	0.86	Very Good
Total	**4.96**	**390**	**1.08**	**Very Good**

Legend: 1.00 – 2.2 – Poor, 2.21 – 3.4 – Fair, 3.41 – 4.60 – Good, 4.61 – 5.80 - Very Good, 5.81 – 7.00 – Excellent

When taken as a whole, the level of business performance of MSMEs in terms of gross sales/receipts is rated Very Good when respondents are taken as a whole. When grouped according to the type of business enterprise, the respondents from micro, small, and medium enterprises rated the level of business performance of MSMEs in terms of gross sales/receipts as Very Good. When grouped according to the type of industry sector, the respondents from Group A and Group B sectors rated the level of business performance of MSMEs in terms of gross sales/receipts as Excellent. On the other hand, the respondents from Group C and Group D sectors rated the level of business performance of MSMEs in terms of gross sales/receipts as Very Good.

In terms of Capitalization

Table 4 shows the level of business performance of MSMEs in terms of capitalization when taken as a whole and grouped according to the type of business enterprises and industry sectors. When taken as a whole, the level of business performance of MSMEs in terms of capitalization when respondents are taken is rated Very Good. When grouped according to the type of business enterprise, the respondents from micro, small, and medium enterprises rated the level of business performance of MSMEs in terms of capitalization as Very Good. When grouped according to the type of industry sector, the respondents from Group A and Group B sectors rated the capitalization level of MSMEs' business performance as Excellent. On the other hand, the respondents from the Group C and Group D sectors rated the capitalization level of MSMEs' business performance as Very Good.

Table 4. Descriptive statistics of the level of business performance of MSMEs in terms of capitalization

Capitalization	Mean	N	SD	Interpretation
Type of Business Enterprise				
Micro	4.87	332	1.07	Very Good
Small	5.23	39	1.17	Very Good
Medium	4.66	19	1.29	Very Good
Type of Industry Sector				
Group A	5.97	18	0.63	Excellent
Group B	6.65	10	0.47	Excellent
Group C	4.75	165	1.20	Very Good
Group D	4.83	197	0.91	Very Good
Total	**4.89**	**390**	**1.09**	**Very Good**

In terms of the Number of Employees

Table 5 shows the level of business performance of MSMEs in terms of number of employees, taken as a whole, and grouped according to the type of business enterprise and industry sectors. When taken as a whole, the level of business performance of MSMEs in terms of several employees when the respondents are rated Very Good. When grouped according to the type of business enterprise, the respondents from micro, small, and medium enterprises rated the level of business performance of MSMEs in terms of number of employees as Very Good. When grouped according to the type of industry sector, the respondents from Group A and Group B sectors rated the level of business performance of MSMEs in terms of number of employees as Excellent. On the other hand, Group C and Group D sectors rated the level of business performance of MSMEs in terms of the number of employees as Very Good.

Table 5. Descriptive statistics of the level of business performance of MSMEs in terms of number of employees

Number of Employees	Mean	N	SD	Interpretation
Type of Business Enterprise				
Micro	5.17	332	0.90	Very Good
Small	5.24	39	1.16	Very Good
Medium	4.68	19	1.33	Very Good
Type of Industry Sector				
Group A	6.11	18	0.50	Excellent
Group B	6.50	10	0.41	Excellent
Group C	4.96	165	1.01	Very Good
Group D	5.17	197	0.85	Very Good
Total	**5.16**	**390**	**0.96**	**Very Good**

These results are consistent with the national competitiveness index, as DTI (2022) reported that the Philippines improved and managed to rank 48th out of sixty-three countries in 2022 from 52nd place in 2021. The result is also consistent with the local competitiveness index, as the city of Iloilo ranked first among highly urbanized cities in the country for 2022 (DTI, 2022).

3.4 Satisfaction of MSMEs with BPLS Requirements

Table 6 shows MSMEs' ratings of the level of satisfaction of MSMEs with BPLS requirements when taken as a whole and grouped according to the type of business enterprises and industry sectors. When taken as a whole, the level of satisfaction of MSMEs with BPLS requirements when respondents are taken is rated Very Highly Satisfied. When grouped according to the type of business enterprise, the respondents from micro, small, and medium enterprises rated the level of satisfaction of MSMEs with BPLS requirements as Very Highly Satisfied. When grouped according to the type of industry sector, the respondents from Group A, Group B, Group C, and Group D sectors rated the satisfaction of MSMEs with BPLS requirements as Very Highly Satisfied.

Table 6. Descriptive statistics of the level of satisfaction of MSMEs with BPLS requirements

	Mean	N	SD	Interpretation
Type of Business Enterprise				
Micro	6.17	18	0.37	Very Highly Satisfied
Small	6.40	10	0.22	Very Highly Satisfied
Medium	6.18	165	0.60	Very Highly Satisfied
Type of Industry Sector				
Group A	6.17	18	0.37	Very Highly Satisfied
Group B	6.40	10	0.22	Very Highly Satisfied
Group C	6.18	165	0.60	Very Highly Satisfied
Group D	5.92	197	0.78	Very Highly Satisfied
Total	**6.06**	**390**	**0.70**	**Very Highly Satisfied**

A similar outcome, a very satisfactory result, was pointed out by a survey conducted by OIDCI (2015) in Batangas City after the initial implementation of reformation and streamlining. A post-EODB law, in which the local government implemented BOSS, standard processing time, and steps, revealed that MSMEs are very highly satisfied with the BPLS requirements. From a business enterprise perspective, micro, small, and medium-sized businesses responded that they are highly satisfied with BPLS requirements.

Although MSMEs are highly satisfied with BPLS requirements, Francisco et al. (2020) states that the government must continue to strive to reduce the regulatory burden on businesses, particularly younger, smaller companies whose potential as engines of economic growth and job creation is compromised by the time and financial costs of compliance. Further, the business individuals will still comply with the law but should continue to seek improved services (Francisco et al., 2020).

3.5 Difference in Extent of Compliance of MSMEs with BPLS Requirements

Table 7 shows a significant difference in the extent to which MSMEs comply with BPLS requirements when grouped according to the type of business enterprise and industry sectors.

Table 7. Difference in the extent of compliance of MSMEs with BPLS requirements

Compliance	Sum of Squares	df	Mean Square	F	Sig.	Interpretation
Type Of Business Enterprise						
Between Groups	0.400	2	0.20	0.42	0.659	Not Significant
Within Groups	185.6	387	0.48			
Total	186.0	389				
Type of Industry Sector						
Between Groups	13.49	3	4.50	10.1	0.000	Significant
Within Groups	172.5	386	0.45			
Total	186.0	389				

Results show no difference in the extent of MSMEs' compliance with BPLS requirements when the respondents are grouped according to the type of business enterprise. A probability of 0.659 is greater than the significance level, which is 0.05. Furthermore, results show a difference in the extent of MSMEs' compliance with BPLS requirements when the respondents are grouped according to the type of industry sector. A probability of 0.000 is less than the significance level, which is 0.05. Likewise, post hoc results show a difference in the extent of compliance of MSMEs with BPLS requirements when the respondents are grouped according to the type of industry sector between respondents from Group B and Group C sectors in favor of Group B. Moreover, there is a significant difference in the extent of compliance of MSMEs with BPLS requirements when the respondents are grouped according to the type of industry sector between respondents from Group D and Group C sectors in favor of Group C.

3.6 Difference in the Business Performance of MSMEs

In terms of Gross Sales/Receipts

Table 8 shows the difference in the business performance of MSMEs in terms of gross sales/receipts when grouped according to the type of business enterprises and industry sectors. Results show no difference in the business performance of MSMEs in terms of gross sales/receipts when the respondents are grouped according to the type of business enterprise. A probability of 0.147 is greater than the significance level, which is 0.05. Furthermore, results show a difference in the business performance of MSMEs in terms of gross sales/receipts when the respondents are grouped according to the type of industry sector. A probability of 0.000 is less than the significance level, which is 0.05.

Post hoc results show that there is a difference in the business performance of MSMEs in terms of gross sales/receipts when the respondents are grouped according to the type of industry sector between respondents from Group A and Group C sectors in favor of Group A, and between respondents from Group A and Group D sectors in favor of Group A. Moreover, there is also a difference in the business performance of MSMEs in terms of gross sales/receipts when the respondents are grouped according to the type of industry sector between respondents from Group B and Group C sectors in favor of Group B and between respondents from Group B and Group D sectors in favor of Group B.

Table 8. Difference in the business performance of MSMEs in terms of gross sales/receipts

Gross Sales/Receipts	Sum of Squares	df	Mean Square	F	Sig.	Interpretation
Type Of Business Enterprise						
Between Groups	4.438	2	2.219	1.928	0.147	Not Significant
Within Groups	445.5	387	1.151			
Total	449.9	389				
Type of Industry Sector						
Between Groups	65.59	3	21.86	21.96	0.000	Significant
Within Groups	384.4	386	0.996			
Total	449.9	389				

In terms of Capitalization

Table 9 shows the difference in the business performance of MSMEs in terms of capitalization grouped according to the type of business enterprises and industry sectors. Results show no difference in the business performance of MSMEs in terms of capitalization when the respondents are grouped according to the type of business enterprise. A probability of 0.091 is greater than the significance level, which is 0.05. Furthermore, results show a difference in the business performance of MSMEs in terms of capitalization when the respondents are grouped according to the type of industry sector. A probability of 0.000 is less than the significance level, which is 0.05.

Post hoc results show that there is a difference in the business performance of MSMEs in terms of capitalization when the respondents are grouped according to the type of industry sector between respondents from Group A and Group C sectors in favor of Group A, and between respondents from Group A and Group D sectors in favor of Group A. Moreover, there is also a difference in the business performance of MSMEs in terms of capitalization when the respondents are grouped according to the type of industry sector between respondents from Group B and Group C sectors in favor of Group B and between respondents from Group B and Group D sectors in favor of Group B.

Table 9. Differences in the business performance of MSMEs in terms of capitalization

Capitalization	Sum of Squares	df	Mean Square	F	Sig.	Interpretation
Type Of Business Enterprise						
Between Groups	5.716	2	2.858	2.409	0.091	Not Significant
Within Groups	459.1	387	1.186			
Total	464.8	389				
Type of Industry Sector						
Between Groups	56.21	3	18.74	17.70	0.000	Significant
Within Groups	408.6	386	1.059			
Total	464.8	389				

In terms of the Number of Employees
Table 10 shows the difference in the business performance of MSMEs in terms of the number of employees when grouped according to the type of business enterprises and type of industry sectors. Results show no difference in the business performance of MSMEs regarding the number of employees when the respondents are grouped according to the type of business enterprise. A probability of 0.080 is greater than the significance level, which is 0.05. Furthermore, results show a difference in the business performance of MSMEs regarding the number of employees when the respondents are grouped according to the type of industry sector. A probability of 0.000 is less than the significance level, which is 0.05.

Post hoc results show that there is a difference in the business performance of MSMEs in terms of the number of employees when the respondents are grouped according to the type of industry sector: respondents from Group A and Group C sectors favor Group A and respondents from Group A and Group D sectors favor Group A. Moreover, when the respondents are grouped according to the type of industry sector, there is also a difference in the business performance of MSMEs in terms of number of employees between respondents from Group B and Group C sectors in favor of Group B and between respondents from Group B and Group D sectors in favor of Group B. Furthermore, there is also a difference in the business performance of MSMEs regarding the number of employees when the respondents are grouped according to the type of industry sector between respondents from Group D and Group C sectors in favor of Group D.

Table 10. Differences in the business performance of MSMEs in terms of number of employees

Number of Employees	Sum of Squares	df	Mean Square	F	Sig.	Interpretation
Type Of Business Enterprise						
Between Groups	4.610	2	2.305	2.543	0.080	Not Significant
Within Groups	350.8	387	0.906			
Total	355.4	389				
Type of Industry Sector						
Between Groups	40.99	3	13.66	16.78	0.000	Significant
Within Groups	314.4	386	0.814			
Total	355.4	389				

3.7 Difference in the Satisfaction of MSMEs with BPLS Requirements
Table 11 shows the difference in the level of satisfaction of MSMEs with BPLS requirements when grouped according to the type of business enterprises and industry sectors. Results show no difference in the level of satisfaction of MSMEs with BPLS requirements when the respondents are grouped according to the type of business enterprise. A probability of 0.632 is greater than the significance level of 0.05. Furthermore, results show a difference in the level of satisfaction of MSMEs with BPLS requirements when the respondents are grouped according to the type of industry sector. A probability of 0.001 is less than the significance level, which is 0.05.

Post hoc results show a difference in the level of satisfaction of MSMEs with BPLS requirements when the respondents are grouped according to the type of industry sector between respondents from Group B and Group D sectors in 229favor of Group B. Moreover, there is also a significant difference in the level of satisfaction of MSMEs with BPLS requirements when the respondents are grouped according to the type of industry sector between respondents from Group D and Group C sectors in favor of Group C.

Table 11. Differences in the level of satisfaction of MSMEs with BPLS requirements

Satisfaction	Sum of Squares	df	Mean Square	F	Sig.	Interpretation
Type Of Business Enterprise						
Between Groups	0.445	2	0.223	0.459	0.632	Not Significant
Within Groups	187.9	387	0.486			
Total	188.3	389				
Type of Industry Sector						
Between Groups	7.533	3	2.511	5.361	0.001	Significant
Within Groups	180.8	386	0.468			
Total	188.3	389				

3.8 Relationship Between Compliance, Business Performance, and Satisfaction of MSMEs

Table 12 shows the significant relationship between the extent of compliance, level of business performance, and satisfaction of MSMEs. Results show a Very Strong, Positive Relationship between the level of satisfaction and the extent of compliance of MSMEs with BPLS requirements, which is significant at the 0.05 significance level. A probability of 0.000 is less than the significance level, which is 0.05. Moreover, results show a No or Negligible Relationship between business performance and the extent of compliance of MSMEs with BPLS requirements, which is not significant at the 0.05 significance level. A probability of 0.098 is greater than the significance level, which is 0.05.

Table 12. Relationship between the extent of compliance, level of business performance, and satisfaction of MSMEs

	Compliance			
	r	**Description**	**Sig. (2-tailed)**	**Interpretation**
Satisfaction	0.745	Very Strong Positive	0.000	Significant
Performance	0.084	No/Negligible	0.098	Not Significant

Table 13 shows the relationship between business performance and satisfaction of MSMEs. Results show a Weak, Positive Relationship between business performance and satisfaction of MSMEs with BPLS requirements, which is significant at the 0.05 significance level. A probability of 0.000 is less than the significance level, which is 0.05.

Table 13. Relationship between the level of business performance and satisfaction of MSMEs

	Performance			
	r	**Description**	**Sig. (2-tailed)**	**Interpretation**
Satisfaction	0.200	Weak Positive	0.000	Significant

This result agrees with the study made by Jatmiko et al. (2021) that cooperation with government rules and regulations becomes necessary to strengthen MSME ties and enhance competitiveness, which will eventually increase the level of satisfaction of customers with the services of the government. In contrast, however, on the relationship between the level of compliance and business performance, the business organizations, instead of concentrating on creating enterprise-wide ways for compliance to generate much-needed efficiencies, on fulfilling compliance deadlines. As a result, more regulatory violations could have resulted in financial and reputational consequences (Kasozi & Brandon, 2018). However, in the same study made by Kasozi & Brandon (2018), the participants indicated a range of ways that performance would increase if staff complied more, including creating high-quality work environments, establishing the proper compliance culture from the beginning, and delegating heads of departments to regularly assess their staff compliance levels in order to pinpoint compliance improvement efforts by identifying winning strategies and low-hanging fruit.

However, this result was in contrast with the study by Francisco et al. (2020), which stated that compliance with government regulation in general has an impact on the performance and growth of the company. However, the same study mentioned that the electronic business process licensing System (e-BPLS), an online system designed to shorten processing time during business registration or renewal, had a higher chance of growing for MSMEs. Alam (2020) and Celis (2018) also explained that maintaining business compliance improves operational efficiency and safety because it allows reviewing suggested business practices to strengthen and safeguard the company's operations and resources.

From MSMEs' customer perspectives, the result agrees with the study made by Zakari (2020) that customer satisfaction in business is positively affected by business performance (Zakari, 2020). Likewise, it concurred with the study of Williams and Naumann (2021) that there are significant and moderate-to-strong associations between satisfaction levels and a firm's financial and market performance (Williams & Naumann, 2021).

4.0 Conclusion

The study concludes that MSMEs in Iloilo City comply highly with the Business Permits and Licensing System (BPLS) requirements, leading to notable business performance and high satisfaction levels. This strong compliance and satisfaction were consistent across various business enterprises, though differences emerged when analyzed by industry sector. Notably, while compliance did not significantly impact business performance, it was strongly associated with higher satisfaction levels, and there was a weak positive relationship between business performance and satisfaction with BPLS requirements. These findings imply that effective and streamlined BPLS processes are crucial for enhancing satisfaction among MSMEs, which can, in turn, foster a more favorable business environment. The study suggests that policymakers should continue simplifying and tailoring BPLS processes to sustain high compliance and satisfaction, ultimately supporting the growth and stability of MSMEs across different sectors.

5.0 Contribution of Authors

Author 1 proved crucial in developing the research hypothesis, designing the methodology, collecting and analyzing data, writing the initial manuscript, and managing the project's progress. Author 2 offered overall supervision and guidance throughout the study, from initial concept to completion. His contributions offered valuable insights and expertise that improved the study's conceptual framework and methodological procedure. He served a key role in scrutinizing the manuscript, assuring its scientific integrity and consistency.

6.0 Funding

No specific grant was received for this work from any funding agency.

7.0 Conflict of Interest

The authors affirm no conflicts of interest about the publication of this document.

8.0 Acknowledgment

The researcher would like to thank the Almighty Father, who produced everything and made this study possible. The author would like to thank Prof. Francisco E. Gentoral, thesis adviser, for providing invaluable inputs and suggestions in developing this thesis. Dr. Antonio J. Junio, Chair of the Thesis Panel and Academic Supervisor, Prof. Myles Joseph G. Sotelo, and Dr. Mark Tapar, Panel Members, for providing specific comments and recommendations on the key parts of the thesis, which facilitated the author's smooth flow of the data gathering, questionnaire preparation, data processing, analysis, and interpretation. Iloilo City Government, who gave us support and permission to use the data important to this thesis study, and the Department of Interior and Local Government (DILG) Region IV for their initial support. Dr. Josilito Q. Bolivar, Statistician, for the added value inputs to the analysis of the survey results and the participants of research instrument validation for their time and effort. Lastly, I offer regards and blessings to all those who supported me in any respect during the completion of this thesis.

9.0 References

Akhtar, I. (2026). Research design. In book: Research in Social Science: Interdisciplinary Perspectives (pp.17). Social Research Foundation.

Alam, R. N. (2020). Maintaining compliance for businesses. Retrieved from https://www.hutsix.io/guest-blog-the-benefits-of-maintaining-compliance-for-your-business

Atkinson, R. D. (2013). Competitiveness, innovation and productivity: Clearing up the confusion. The Information Technology & Innovation Foundation.

Bhasin, K. (2019). Ease of doing business for MSMEs. Retrieved from https://kinaracapital.com/challenges-faced-by-msmes-made-feasible-through-ease-of-doing-business/

Canare, T. (2018). The effect of ease of doing business on firm creation. Annals of Economics and Finance, 19(2), 555–584. https://archium.ateneo.edu/economics-faculty-pubs/61/

Celis, N. J. (2018). Compliance theory: A case study approach in understanding organizational commitment. DLSU Business & Economics Review, 27(2), 88-118. https://www.dlsu.edu.ph/wp-content/uploads/2019/03/8celis-011818.pdf

Crismundo, K. (2017, November 9). Gov't effort to ease doing business to benefit MSMEs. Philippine National Agency. Retrieved from https://www.pna.gov.ph/articles/1015162

Delgado, M., Ketels, C., Porter, M., & Stern, S. (2012). The determinants of national competitiveness. National Bureau of Economic Research, 0(0), 5-10. https://www.nber.org/papers/w18249

Department of Trade and Industry. (2016). Streamlining business registration in LGUs - Good practices. Retrieved from https://www.enterprise-development.org/wp-content/uploads/StreamliningBusinessRegistrationSMEDSEP.pdf

DTI. (2020). 2020 MSME statistics. Retrieved from https://www.dti.gov.ph/resources/msme-statistics/

Fatihudin, D., Jusni, & Mochklas, M. (2018). How measuring financial performance. International Journal of Civil Engineering and Technology 9(6), 553–557. https://doi.org/10.24940/ijird/2017/v6/i6/JUN17074

Francisco, J. P., Flaminiano, J. P., Abad, J. U., & Santamaria, J. G. (2020). Do regulatory compliance costs hinder growth among small and medium enterprises in the Philippines? Retrieved from https://doi.org/10.2139/ssrn.3607837

Hague, N., & Hague, P. (2021). Customer satisfaction surveys & research: How to measure CSAT. Retrieved from https://www.b2binternational.com/publications/customer-satisfaction-survey/

Kasozi, D., & Brandon III, C. (2018). Mapping compliance to organizational performance in statistical work. International Journal of Quality Assurance and Management, 8(1), 37-45. https://www.ripublication.com/ijqam18/ijqamv8n1_05.pdf

Ketels, C. H. (2014). Michael Porter's competitiveness framework—Recent learnings and new research priorities. J Ind Compet Trade 6, 115–136. https://doi.org/10.1007/s10842-006-9474-7

Khadka, K., & Maharjan, S. (2017). Customer satisfaction and customer loyalty (Thesis). Centria University of Applied Sciences.

McCombes, S. (2022). Descriptive research | Definition, types, methods & examples. Retrieved from https://www.scribbr.com/methodology/descriptive-research/

Milano, S. (2018). Importance of compliance in business. Retrieved from https://smallbusiness.chron.com/importance-compliance-business-71173.html

Orient Integrated Development Consultants, Inc. (OIDCI). (2015). Integrated assessment report on the business permit and licensing system (BPLS) reforms in CDI cities in 2013. Orient Integrated Development Consultants, Inc.

Williams, P., and Naumann, E. (2011). Customer satisfaction and business performance: a firm-level analysis. Journal of Services Marketing, 25(1), 20-32. https://doi.org/10.1108/08876041111107032

Zakari, A.A., & Ibrahim, U. A. (2021). Impact of customer satisfaction on business performance of SME's in Nigeria. International Journal of Research in Business and Social Science, 10(5), 46–51. https://doi.org/10.20525/ijrbs.v10i5.1291.