



Roadblocks to Success: Examining the Resources and Performance of Micro, Small, and Medium Enterprises

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Received: 09 March 2025

Accepted: 27 June 2025

DOI: <https://doi.org/10.32479/irmm.19309>

ABSTRACT

This study examined the resources and performance of micro, small, and medium-sized enterprises (MSMEs) in Misamis Oriental, Philippines. Findings indicated that MSMEs effectively utilized tangible resources, particularly in inventory management and maintaining physical assets, but underutilized machinery and equipment. Although financial resources were generally well-managed, investment in human capital was notably low, revealing a significant gap in employee training and development. Intangible resources, such as brand reputation, were effectively leveraged by MSMEs, indicating their recognition of the value of maintaining a positive public image to attract customers and build loyalty. However, organizational culture, which plays a critical role in fostering employee satisfaction, collaboration, and innovation, was not fully appreciated or prioritized. On the other hand, performance analysis from 2021 to 2023 revealed sluggish recovery from COVID-19, with marginal improvements in financial and non-financial metrics. The study identified statistically significant relationships between MSME performance and all resource categories, with tangible resources exerting the most substantial positive impact. Intangible resources, while positively associated with performance, did not achieve statistical significance, suggesting their influence may manifest over longer periods or under specific conditions. The study concludes that resource utilization strategies must be optimized, particularly through investments in employee training, fostering strategic partnerships, and enhancing engagement with government programs.

Keywords: MSME Performance, Physical Capital, Financial Resources, Human Capital, Brand Reputation, Organizational Culture

JEL Classification: M1

1. INTRODUCTION

The Micro, Small, and Medium Enterprise (MSME) sector plays a pivotal role in driving economic development. A growing consensus recognizes the MSMEs' potential to generate substantial economic benefits through job creation, production of goods and services, and value-added activities (Juminawati et al., 2021). A strong and resilient MSME sector is crucial, but its growth and successful transition into larger businesses is equally vital to maintain a healthy economic ecosystem. This not only reduces unemployment but also expands the variety of products and

services available, ultimately leading to economic success (Tekele, 2019). This continuous growth and diversification of the MSME sector holds immense strategic value for governments. Prolific job creation, particularly for young people, fosters a dynamic and inclusive workforce, which translates to a wider tax base and a more stable society (Shelly, 2020). Additionally, MSMEs fuel an entrepreneurial ecosystem, encouraging innovation and competition that benefit consumers and generate tax revenue (Pedraza, 2021). Their deep roots in local communities further stimulate local economic development and broaden the government's tax base. In particular, the Philippines, has underscored the critical role of

MSMEs in improving economic growth and alleviating poverty by generating employment opportunities and promoting rural development. Notably, Philippine MSMEs comprise 99.6% of all firms and play a significant role in generating over 60% of employment opportunities nationwide and account for 50% of the gross domestic product (GDP) on a global scale (UNCTAD, 2021).

Given the profound impact of MSMEs on the economy, ensuring their optimal performance is crucial. As Ahmad and Zabri (2016) posit, performance should ideally be evaluated using both financial and non-financial measures or, alternatively, quantitative and qualitative criteria. While financial and quantitative measures have traditionally been the dominant approaches, they focus primarily on tangible outcomes such as profitability, revenue, or production figures. However, these criteria have faced criticism for their inability to address more dynamic and qualitative aspects of organizational performance, such as employee satisfaction, innovation, or customer relationships (Abellana and Alonzo, 2025). In contrast, the inclusion of non-financial and qualitative measures represents a more contemporary approach to assessing performance. This modern perspective acknowledges that intangible factors such as organizational culture, customer loyalty, and workforce development, are equally critical of long-term success. The shift towards non-financial and qualitative metrics reflects the evolving complexity of business environments and the need for performance evaluation frameworks to align with current developments, such as technological advancements, market globalization, and sustainability initiatives. This aligns with earlier studies on performance measurement. For instance, Abotsi et al., (2014) used profitability data in Kenya, while Carter and Tamayo (2017) employed sales growth and profitability as indicators for SME performance in Davao City. These studies further demonstrate the importance of MSMEs' ability to generate sufficient sales and improve profits to cover costs and invest in further growth (Indra et al., 2021). In addition, a high-performing MSME demonstrates its ability to expand its customer base and workforce. Delmar et al., (2003) also argued that employment has been a more direct indicator of organizational complexity than sales, making it a preferable metric when the focus is on the managerial implications of growth or performance. Thus, these factors are key metrics for measuring MSME performance.

However, MSMEs face significant challenges that hinder their performance and even threaten their survival. In fact, Talavera (2023) reports a concerning failure rate hovering between 50 and 80 percent. According to Indra et al. (2021), MSMEs can experience several obstacles and problems in running and developing their business influenced by several factors. The studies of Pagaddut (2021) and Lencho (2019) provide a more comprehensive view, identifying a range of factors that influence MSME performance, with financial aspects, funding, and business scale being particularly crucial.

Despite being the lifeblood of many economies, MSMEs often face an uphill battle due to resource constraints. Limited access to capital for equipment and inventory is a major hurdle for MSMEs (Esposito et al., 2018). This can force them to rely on outdated technology, hindering efficiency, innovation, and the ability to

meet quality standards. Additionally, cramped workspaces due to limited space can restrict production capacity and employee well-being. Also, building brand awareness and establishing a strong reputation takes time and resources, with which MSMEs are often lacking. This makes it difficult to attract customers and compete with established businesses (Bisht and Singh, 2020). Furthermore, fostering a positive and productive organizational culture requires expertise in Human Resource Management (HRM), which many MSMEs struggle to achieve. Limited training budgets can also lead to skill gaps within the workforce, hindering innovation and overall competitiveness.

In recent years, MSME performance in Misamis Oriental has been characterized by both progress and persistent challenges. The province plays a vital economic role in Northern Mindanao, contributing 1.4 percentage points to the region's 5.6 percent economic growth in 2019. In the same year, Misamis Oriental's economy grew by an impressive 7.8 percent, underscoring its dynamic business environment. However, this momentum was disrupted in 2020 when the province's economy reduced by 11.2 percent (PSA, 2021). This downturn reflects the broader impact of external factors, such as the COVID-19 pandemic on local MSMEs and the regional economy. This decline can also be attributed to several challenges, including limited access to funding and resources, inadequate infrastructure, lack of training and skills development opportunities, and intense market competition (NEDA, 2023). These issues have hindered MSMEs' ability to adapt to changing market demands and sustain their operations. Hence, this situation calls for a deeper investigation to understand the root causes and implement targeted solutions to enhance MSME competitiveness in the province. Although existing research offers a broad understanding of MSME performance, it is often limited by its lack of emphasis on specific provincial contexts. This leads to a one-size-fits-all approach to MSME development, potentially overlooking the unique challenges and opportunities MSMEs face in selected areas in Misamis Oriental. Thus, this research aimed to bridge this gap by focusing on MSMEs in the province and by examining tangible resources such as physical capital, financial resources, and human capital; intangible resources such as brand reputation and organizational culture; external resources such as suppliers, partners, and regulatory bodies; and financial and non-financial performances.

2. LITERATURE REVIEW

The Philippines recognizes the crucial role of MSMEs in fostering economic growth, alleviating poverty by creating jobs for the local workforce, driving rural development, and providing essential goods and services to larger enterprises. Local MSMEs in the Philippines are characterized by their focus on serving clients within their locale, operating from home or informal setups, and engaging in various sectors such as manufacturing, trading, retailing, and service provision. These enterprises are legitimate entities formally registered with government agencies like the Department of Trade and Industry (DTI) and the Securities and Exchange Commission, distinguishing them from informal or underground businesses (Ronquillo, 2021). Moreover, these MSMEs are predominantly single proprietorships, often managed

by their owners, with a significant portion being led by women. These enterprises are crucial drivers of employment, accounting for 62.4% of the country's total employment and generating over 5 million jobs. Despite their size, MSMEs contribute 36% of the gross value added to the economy and represent 25% of total exports, highlighting their substantial impact on economic growth and trade (SERP-P, n.d.).

While MSMEs in the Philippines have consistently faced challenges such as limited access to finance, technology, and skills, information gaps, and issues with product quality and marketing they have demonstrated resilience by continually generating employment opportunities, adding economic value, and playing a significant role in export activities (Bolido, 2020). Amid the challenges posed by the coronavirus pandemic on this vital sector of the Philippine economy, Carlos (2020) noted that many businesses are leveraging the Filipino entrepreneurship spirit to strategize and pivot their operations, including initiatives like online selling, remote staffing, and shifting production to essential goods, to navigate through the crisis. Recognizing the growth potential of MSMEs, Fong (2018) emphasized the importance of internal learning, embracing entrepreneurial activities to adapt to a competitive business environment, and maintaining flexibility in resource deployment and goal setting, all of which contribute to fostering innovation and achieving success.

2.1. Measuring Business (MSME) Performance

In measuring performance, it can take on different meanings depending on the criteria used, whether they are objective (quantitative/financial) or subjective (qualitative/non-financial). Objective measures of performance, such as financial indicators like Return on Assets (ROA), Return on Equity (ROE), Net Profit, or Gross Profit, are commonly used to assess organizational effectiveness in terms of profitability (Parker, 2000). On the other hand, subjective measures focus on qualitative aspects of effectiveness, such as growth, expansion, efficient service delivery, product quality, survival, and competitiveness (Dobbs and Hamilton, 2007). Also, through extensive literature reviews, Ardichvili et al. (2003) and Delmar (1997) identified nearly identical sets of growth indicators, including assets, employment, market share, physical output, profits, and sales. However, for this study, it focused on sales and employment growth only.

The measurement of MSME business performance can be seen from the increase in sales, which is the increase in the number of purchases made by customers for the goods sold (Agus et al., 2023)). Studies indicate that a range of factors contribute to sales improvements within MSMEs. Access to finance plays a critical role, enabling investments in inventory, expansion, and marketing efforts (Nwosu and Orji, 2016). Strategic marketing skills, particularly in leveraging digital channels, have become vital for reaching wider audiences and promoting products and services (Purwanti et al., 2022). The development of innovative products or services that cater to evolving customer needs can be a significant driver of sales growth (Halila and Rundquist, 2021). Moreover, building strong customer relationships through personalized service and after-sales support leads to enhanced brand loyalty and repeat purchases.

However, sales are not a universally ideal indicator of performance. It is affected by factors such as inflation and currency exchange rates, whereas employment remains relatively stable in this regard. Moreover, sales do not always precede growth in other areas. In high-technology start-ups and the launch of new activities within established firms, it is often observed that assets and employment may grow before sales are realized (Delmar et al., 2003).

On the other hand, employment has been argued to be a more direct indicator of organizational complexity than sales, making it a preferable metric when the focus is on the managerial implications of growth or performance (Delmar et al., 2003). This perspective aligns with resource-based and knowledge-based views of the firm (Kor et al., 2016; Kogut and Zander, 1992), which regard firms as bundles of resources. From this standpoint, growth analysis should prioritize the accumulation of resources, such as employees. Additionally, when the study's objective is to take a more macro-level approach, such as examining job creation, employment growth becomes the most logical and relevant measure (Schreyer, 1999).

Studies also show a strong link among sales growth, an expanding customer base, and increased market reach, which collectively drive the need for additional workforce (Storey, 2016). MSMEs with well-structured strategies and a focus on market penetration demonstrate a higher capacity for job creation. Scholars often emphasize employment growth as a vital measure of business performance and its impact on job creation (Siepel and Dejardin, 2020). This measure is particularly relevant to policymakers, who tend to prioritize employment over sales growth in assessing the economic contributions of businesses. Anyadike-Danes (2009) identifies a small number of high-growth businesses as significant contributors to job creation and economic prosperity, a finding supported by Şeker & Saliola (2018), who highlights the remarkable job growth rates among small firms in developing countries. Similarly, Clayton et al. (2013) point out that while small businesses are often regarded as the primary drivers of job growth, older firms also play a substantial role. Although entrepreneurs and managers may not always prioritize employment growth as a direct indicator of success, it remains a critical measure for understanding medium- and long-term business development.

2.2. The Influence of Tangible Resources on MSME Performance

One critical aspect of tangible resources is their contribution to operational excellence. A study by Wongwilai (2022) emphasizes the importance of modern and well-maintained physical assets and infrastructure, such as machinery, equipment, facilities, and inventory. These assets enable MSMEs to streamline production processes, reduce operational costs, enhance product quality, and meet customer demands efficiently. Effective utilization of physical assets leads to improved operational efficiency and productivity, thereby contributing to overall performance.

Furthermore, the strategic allocation of tangible resources contributes to MSMEs' competitive advantage. Moscare-Balanquit (2021) suggests that MSMEs that strategically invest in tangible assets, optimizing operational costs, and managing supply chains

efficiently are better positioned to achieve sustainable competitive edges in the market. Effective resource allocation enables MSMEs to differentiate their offerings, enhance customer value propositions, and respond promptly to market demands, thereby strengthening their competitive positions.

2.2.1. *Physical capital*

One key aspect of optimizing physical capital is ensuring efficient resource utilization. Studies like the one conducted by Mugo et al. (2019) on Kenyan manufacturing MSMEs highlight the importance of capacity utilization. This refers to getting the most out of existing equipment and facilities. By operating at optimal levels, MSMEs can maximize output without compromising on quality. Proper maintenance of physical assets is equally crucial. A study by Salawu et al. (2023) emphasizes how preventive maintenance practices minimize breakdowns and production delays, ensuring smooth operation and maximizing uptime.

Strategic investment in physical capital can also propel MSME growth. Upgrading equipment with newer technologies can lead to several benefits. Santanaa et al., (2018) highlight how this can increase efficiency, improve product quality, and even allow MSMEs to expand into new markets with capabilities that cater to evolving customer demands. However, informed decision-making is critical. The same study also emphasizes the importance of careful planning and financial resource consideration to avoid overinvestment in assets that may not be fully utilized or become obsolete too quickly.

Research across various regions reinforces the positive impact of physical capital on MSME performance. Sandu et al., (2022) conducted a study in Kenya that found a strong correlation between effective physical capital management and profitability in small businesses. This highlights the financial benefits of optimizing resource utilization and making strategic investments. Similarly, Mugo et al.'s (2019) study provided evidence of the link between capacity utilization and firm performance, demonstrating how getting the most out of existing equipment translates to better business outcomes.

H₁: Physical Capital significantly influences MSME Performance.

2.2.2. *Financial resources*

The critical role of financial resources in MSME performance extends beyond just having available cash flow. It also provides the essential capital needed to initiate and sustain business activities, ranging from purchasing inventory and equipment to covering operational expenses and salaries. Adequate financial resources ensure smooth cash flow, enabling MSMEs to meet their immediate financial obligations and seize opportunities for growth (Nkwinika and Akinola 2023).

Moreover, the ability of MSMEs to access credit and external financing options is instrumental in fueling expansion, innovation, and investment in new technologies or market opportunities (Bose, 2013). A healthy financial profile with access to credit facilities supports ongoing operations and empowers MSMEs to pursue strategic initiatives that drive long-term competitiveness and market relevance. Enhanced access to credit enables investment

in assets, expansion, and adopting new technologies, facilitating business growth (Adjabeng and Osei, 2022). Studies indicate a positive relationship between financial inclusion and MSME profitability, productivity, and job creation (Nwosu and Orji, 2016; Bruhn et al., 2017). Access to savings accounts allows MSMEs to manage cash flow effectively and build financial resilience during downturn.

While financial resources offer several benefits in an MSME, research also reveals a significant “financing gap” for MSMEs, particularly those in developing economies. This gap stems from factors such as MSMEs’ perceived high risk by financial institutions, lack of collateral, and limited credit history (Asian Development Bank, 2021). Consequences include stifled growth potential, increased vulnerability to economic shocks, and a higher likelihood of business closures.

The Philippines presents a compelling local case study. Mendoza (2015) found out that while Filipino MSMEs perform reasonably well in terms of activity, their profitability presents challenges. This suggests that access to financial services could be a vital element in improving profit margins within this sector. Additionally, Jou (2022) highlights complexities in local policy, noting that financial considerations often play a role on how local councils support MSME development.

Moreover, effective financial management practices further amplify the impact of financial resources on MSME performance. This includes prudent budgeting, cash flow management, cost control measures, and investment strategies aligned with business goals (Das and Mahapatra, 2021). MSMEs that employ sound financial management practices are better equipped to weather economic fluctuations, mitigate financial risks, and capitalize on growth opportunities (Kumar, 2013). Furthermore, sound financial management is crucial for product innovation, which in turn enhances MSME performance (Ferine, 2023).

A range of studies has consistently highlighted the critical role of financial resources in driving the performance of MSMEs (Omer et al., 2018; Sarkar, 2016). Beck et al. (2014) found a positive correlation between access to finance, strong financial management practices, and firm performance in developing countries. Similarly, Berger and Udell’s (2004) study in the United States demonstrated that access to credit positively impacts small business growth.

H₂: Financial Resources significantly influences MSME Performance.

2.2.3. *Human capital*

According to Becker (1962), a distinguished scholar in human capital theory and Nobel laureate in Economics, human capital is primarily characterized by on-the-job training and general education. He also added that experiences are transformed into knowledge and skills. While this definition may differ from other authors, the management literature predominantly attributes human capital to prior education and relevant experience (Taboada and Moya, 2014; Harris et al., 2012; Chen et al., 2006). Investing in human capital is crucial for companies as it enables them to bolster competitiveness, productivity, and profitability. Every

individual brings a unique set of skills, knowledge, and experiences to the table. By prioritizing human capital investment, companies facilitate the homogenization of knowledge, thereby amplifying financial performance and strengthening competitive advantages (Francisca et al., 2023).

Employee experience, particularly prior industry experience, plays a crucial role in MSME success. Employees with a strong background in the relevant sector possess a deeper understanding of industry dynamics, challenges, and best practices. This translates to several key benefits for MSMEs. Firstly, experienced employees can meet company expectations more readily. They require less training and onboarding, and can quickly adapt to existing workflows, contributing meaningfully from the outset (Muda and Rahman, 2016). Secondly, their experience equips them with the necessary skills and knowledge to perform their duties effectively, leading to fewer errors and efficient task completion. Finally, industry-specific experience allows employees to anticipate and address client needs with greater accuracy, boosting customer satisfaction and loyalty (Jayabalan et al., 2020). This positive impact of employee experience on MSME performance is supported by various research studies. Suroso et al. (2017) found a significant correlation between employee experience and SME business performance. Similarly, Ali Hamid Ibrahim's (2018) research in Libya highlighted the significant contribution of experience to an MSME's success. Egberi's (2019) study in Nigeria further confirmed that employee experience has a positive and measurable effect on an MSME's overall performance.

The knowledge held by employees stands as an indispensable asset within the framework of human capital for any organization. This knowledge comprises various dimensions, including educational attainment, the culture of knowledge sharing, disciplinary acumen, and accumulated experiences (Isaga, 2015). Employees endowed with profound knowledge play a pivotal role in advancing product or service innovation and elevating overall customer satisfaction levels. Furthermore, their expertise serves as a catalyst for streamlining production processes, thus contributing to cost reduction and enabling efficient resource allocation within the company (Ibrahim, 2018).

H₃: Human Capital significantly influences MSME Performance.

2.3. The Influence of Intangible Resources on MSME Performance

While physical assets are essential, an MSME's true competitive advantage often lies in its intangible resources. These are the non-physical assets that drive innovation, build customer loyalty, and enhance brand reputation. Research in this domain reveals insights into how these intangible resources impact MSMEs' competitiveness and success (Stan et al., 2024).

A strong brand reputation, built through effective marketing, quality commitment, and positive customer experience, is a valuable intangible asset. This reputation can be leveraged in global markets, with individual culture playing a significant role (Agarwal and Osiyevskyy, 2021). Organizational culture, particularly in MSMEs, is crucial for driving employee behavior, engagement, and productivity. Corporate governance principles,

including fairness, accountability, responsibility, and transparency, can enhance employee commitment, with corporate reputation and organizational trust mediating this relationship (Yeo et al., 2023). The importance of reputation as an intellectual asset for company competitiveness is also highlighted (Krstić et al., 2021).

2.3.1. Brand reputation

Building trust among customers is the foundation for growth. Positive brand reputation fosters customer loyalty, leading to repeat business and increased customer lifetime value. In the service sector, brand reputation plays a key role in fostering customer loyalty, with brand trust being a significant factor in this relationship (Gökerik, 2024). Brand credibility further enhances customer loyalty by reducing switching behaviors and increasing word-of-mouth (Tabelessy, 2025). Trust is also a critical factor in relationship marketing, influencing service performance and fostering commitment. Loyal customers become brand advocates, promoting the MSME through positive word-of-mouth. This organic customer acquisition reduces marketing costs while attracting new customers who trust the brand reputation (Gowthaman and Rau, 2010).

A strong brand reputation, as evidenced by a positive corporate image, can lead to a significant market-value premium, superior financial performance, and lower cost of capital (Smith et al., 2010). This is due to the ability of strong brands to command higher prices, create a loyal customer base, and maintain brand stability (Hoeffler and Keller, 2003). Furthermore, firms with good reputations are better able to sustain superior profit outcomes over time (Roberts and Dowling, 2002). This is particularly relevant for MSMEs, as they can benefit from higher profit margins and long-term customer loyalty (Tijani et al., 2023).

The digital age presents a unique opportunity for MSMEs to leverage brand storytelling in building and managing their reputation. Social media platforms and online reviews provide powerful tools to connect with customers, share the MSME's brand story, and showcase its values (Ansarin and Ozuem, 2014). By fostering positive online engagement and addressing customer concerns promptly, MSMEs can cultivate a positive brand image and build trust.

Thaichon and Quach (2015) highlight the importance of brand reputation in the competitive game, particularly in stable market segments. They further emphasize the role of brand equity in shaping customer expectations, satisfaction, trust, and value, ultimately influencing customer retention. Keller (2009) provides a practical framework for building and managing strong brands, emphasizing the need to understand consumer brand knowledge structures and the use of online, interactive marketing communications.

H₄: Brand Reputation significantly influences MSME Performance.

2.3.2. Organizational culture

A positive organizational culture, characterized by support and collaboration, is crucial for fostering employee engagement in MSMEs. Engaged employees, who are committed, passionate, and energetic, contribute to reduced turnover, increased

productivity, better customer service, and creative problem-solving (Dickson, 2008). This engagement is particularly important in the manufacturing sector, where it can significantly impact employee retention, productivity, and loyalty (Mohanty et al., 2020). Engaged employees are more motivated, take ownership of their work, and are more likely to go the extra mile for the MSME's success. Furthermore, highly engaged employees can lead to a 147% outperformance of competitors, as well as reduced absenteeism and employee turnover (Elliott, 2023). This translates to increased productivity and a competitive edge in the market.

Collaboration is a vital component of an innovative organizational culture. A workplace that fosters teamwork and encourages knowledge-sharing creates an environment where innovation can thrive, particularly within MSMEs (Murswieck et al., 2019). A collaborative culture empowers employees to openly share ideas, engage in problem-solving, and work synergistically, ultimately driving creativity and the development of new products and services. When individuals feel supported and valued in a team-oriented setting, they are more likely to contribute innovative solutions. This collaborative dynamic enables MSMEs to remain agile, competitive, and responsive to evolving market demands.

A strong organizational culture can also be a powerful magnet for attracting and retaining top talent, another key factor in MSME success. This culture can clarify priorities, coordinate work, and showcase the organization's strengths (Chatman and Cha, 2003). It is also a key factor in a company's success, driving business results and providing a competitive advantage (Rosenthal and Masarech, 2003). To effectively leverage culture, managers must recruit, socialize, and reward employees who align with the firm's values. In the current employee market, where work-life balance, flexibility, and shared values are prioritized, a strong culture is even more essential (Goessling, 2017). Moreover, by fostering a culture that aligns with these values, MSMEs can attract and retain skilled employees who contribute to long-term growth.

While the benefits of a positive organizational culture are evident, MSMEs may face challenges in establishing and maintaining such a culture. This requires recruiting and training employees who align with the firm's values, and consistent leadership behavior. Ionescu (2014) emphasizes the role of effective leadership in shaping organizational culture and driving change. Leadership alignment, cultural consistency, and effective management change are among the key challenges.

H₅: Organizational Culture significantly influences MSME Performance.

3. RESEARCH METHODOLOGY

3.1. Data Collection

This research used quantitative research design. Quantitative research design presents numerous benefits, such as the capability to generalize findings to broader populations, the opportunity for statistical analysis and hypothesis testing, and the ability to reveal patterns and relationships among variables. This study also employed descriptive correlational research. This approach involves gathering and analyzing data on multiple variables to

determine if there is a correlation between them. The researcher gathered data to understand the variables of interest and their relationships, focusing on providing a comprehensive overview without altering or presuming causation between variables. This comprehensive approach, as described by Creswell (2002), aims to provide a more thorough understanding of the research problem. A survey questionnaire was administered to the 266 owners or managers of the MSMEs operating in Misamis Oriental, Philippines to gather quantitative data. The study was conducted in the second legislative district of Misamis Oriental, specifically in the areas of Manticao, Lugait, and Naawan, commonly known in the area as ManLuNa. The Misamis Oriental is situated in the Northern Mindanao region, which occupies the northern-central section of Mindanao, Philippines.

4. DATA ANALYSIS

4.1. Demographic Profile

Table 1 reveals that the majority of MSMEs are located in Manticao, representing 41% of the respondents followed by Naawan with 32%, and Lugait with 27%. Regarding years of operation, 44% of businesses have been running for 3-5 years, indicating that most MSMEs in the area are relatively young and in their early stages of growth. Additionally, 48% of respondents are business owners, with 9% handling dual roles as both owners and managers, highlighting the significant involvement of owners in day-to-day operations. In terms of business type, 85% of MSMEs are engaged in trading, showcasing its dominance as the primary economic activity. Furthermore, 97% of businesses have fewer than 10 employees, with 82% reporting total assets of less than ₱3 million, reinforcing their classification as microenterprises. Ownership structures are similarly concentrated, with 97% of MSMEs operating as sole proprietorships, reflecting a strong preference for individually managed enterprises.

4.2. Measurements

Table 2 presents the Cronbach result per construct. The result yielded an overall Cronbach's alpha of 0.865, indicating good internal consistency among the items. This value fell within the generally accepted good range for most research. In other words, the items in the survey questionnaire demonstrate a high level of internal consistency, suggesting they are likely to measure the same underlying construct.

The Spearman's rho analysis in Table 3 highlights the relationship between financial performance (FP) and the sub-variables of tangible and intangible, providing valuable insights into how MSMEs utilize these resources to drive financial outcomes. Among tangible resources, physical capital (PC) shows a moderate positive correlation with financial performance ($r = 0.349$, $P < 0.001$), indicating that efficient utilization of assets such as equipment, machinery, and inventory significantly enhances financial performance. Similarly, financial resources (FR), while showing a weaker positive correlation ($r = 0.120$, $P < 0.05$), underscore the supportive role of adequate funding and cash flow in achieving financial stability and growth. Human capital (HC) also demonstrates a moderate positive correlation with financial performance ($r = 0.261$, $P < 0.001$), emphasizing the importance

Table 1: Respondent's demographic profile

Category	Frequency (%)	Category	Frequency (%)
Location of MSME		Role in the Business	
Manticao	109 (41)	Owner	129 (48)
Lugait	72 (27)	Manager	114 (43)
Naawan	85 (32)	Both Owner and Manager	23 (9)
Years in Operation		Line of Business	
3–5 years	116 (44)	Trading	238 (85)
6–10 years	74 (28)	Real Estate	2 (1)
11–15 years	35 (13)	Livestock	7 (3)
16–20 years	9 (3)	Others	0 (0)
21–25 years	13 (5)		
More than 25 years	19 (7)		
Number of Employees		Form of Ownership	
<10	259 (97)	Sole Proprietorship	259 (97)
		Partnership	2 (1)
10–99	7 (3)	Corporation	4 (2)
100–199	0 (0)	Cooperative	1 (0)
Total Assets			
<3,000,000	218 (82)		
3,000,000–15,000,000	41 (15)		
15,000,001–100,000,000	7 (3)		

Table 2: Constructs and factor loading

Constructs	Cronbach alpha
Physical Capital (PC)	0.861
Financial Resources (FR)	0.864
Human Capital (HC)	0.860
Brand Reputation (BR)	0.860
Organizational Culture (OC)	0.862
Financial Performance (FP)	0.864
Non-financial Performance (NFP)	0.869
OVERALL	0.865

of a skilled and knowledgeable workforce in boosting productivity, innovation, and profitability.

Intangible resources emerge as key contributors to financial success, with brand reputation (BR) showing a moderately strong positive correlation ($r = 0.350$, $P < 0.001$). A strong brand attracts customers, fosters loyalty, and enhances sales, making it a crucial intangible asset for MSMEs. Additionally, organizational culture (OC) correlates positively with financial performance ($r = 0.233$, $P < 0.001$), highlighting the role of a supportive and collaborative work environment in fostering employee engagement and innovation, which indirectly improves financial outcomes.

The Spearman's rho analysis in Table 4 reveals how non-financial performance (NFP), measured by growth in employees, correlates with various sub-variables of tangible, intangible, and external resources, providing insights into the factors driving workforce expansion for MSMEs. Among tangible resources, human capital (HC) shows the strongest positive correlation with non-financial performance ($r = 0.517$, $P < 0.001$), emphasizing the critical role of a skilled and motivated workforce in driving organizational

Table 3: Correlation of variables between financial performance and tangible and intangible resources

Indicators	Tangible resources			Intangible resources	
	PC	FR	HC	BR	OC
Tangible Resources (TR)					
Physical Capital (PC)	-				
Financial Resources (FR)	0.378***	-			
Human Capital (HC)	0.621***	0.28***	-		
Intangible Resources (IR)					
Brand Reputation (BR)	-0.025	0.113	-0.178**	-	
Organizational Culture (OC)	0.452***	0.32***	0.668***	-0.104	-
Financial Performance (FP)	0.349***	0.120*	0.261***	0.350***	0.233***

* $P < 0.05$, ** $P < 0.01$, *** $P < 0.001$

Table 4: Correlation of variables between non-financial performance and tangible and intangible resources

Indicators	Tangible resources			Intangible resources	
	PC	FR	HC	BR	OC
Tangible Resources (TR)					
Physical Capital (PC)	-				
Financial Resources (FR)	0.378***	-			
Human Capital (HC)	0.621***	0.28***	-		
Intangible Resources (IR)					
Brand Reputation (BR)	-0.025	0.113	-0.178**	-	
Organizational Culture (OC)	0.452***	0.32***	0.668***	-0.104	-
Non-financial Performance (NFP)	0.454***	0.160**	0.517***	0.019	0.361***

* $P < 0.05$, ** $P < 0.01$, *** $P < 0.001$

Table 5: Multiple regression analysis of tangible resources, intangible resources and MSME performance

Predictor	B	SE β	β	T	P
Constant	0.168	0.132		1.274	0.204
Tangible Resources (TR)	0.280	0.049	0.356	5.737	0.000
Intangible Resources (IR)	0.063	0.049	0.088	1.284	0.200

$R = 0.509$, $R^2 = 0.259$ ($P < 0.05$), $P\text{-value} = 0.000$

growth. This suggests that investments in training and employee development not only enhance individual productivity but also create conditions for workforce expansion. Physical capital (PC)

also demonstrates a significant positive relationship with NFP ($r = 0.454$, $P < 0.001$), indicating that well-managed equipment and facilities support operational efficiency, which is essential in scaling the workforce. Although financial resources (FR) show a weaker correlation ($r = 0.160$, $P < 0.01$), they remain important in indirectly enabling employee growth by funding operations and expansion initiatives.

Intangible resources also contribute significantly to non-financial performance. Organizational culture (OC) exhibits a moderate positive correlation ($r = 0.361$, $P < 0.001$), underscoring the importance of fostering a supportive and collaborative workplace. A strong culture enhances employee satisfaction and retention, creating a stable foundation for workforce expansion. However, brand reputation (BR) shows a negligible correlation with NFP ($r = 0.019$, ns), suggesting that it has minimal direct impact on employee growth.

Table 5 shows the multiple linear regression (MLR) analysis that examines the relationship between MSME performance and three predictor variables: tangible resources, intangible resources, and external resources. The results indicate that tangible and external resources have significant positive impacts on MSME performance, while intangible resources do not significantly predict performance outcomes in this model. The results reveal that tangible resources, with a regression coefficient of (B) 0.280 and a standardized coefficient (β) of 0.356 ($P = 0.000$, $t = 5.737$) have a significant and positive impact on MSME performance. The p-value indicates that the probability of obtaining such a result by random chance is less than 0.001, providing strong statistical support for the relationship. The positive direction of the coefficients means that increases in tangible resource availability are likely to result in improved performance outcomes. In contrast, intangible resources, with a regression coefficient of (B) 0.063 and a β of 0.088 ($P = 0.200$, $t = 1.284$), do not significantly predict MSME performance in the short term, implying that their effects may take longer to materialize.

5. CONCLUSION AND PRACTICAL IMPLICATIONS

The findings show that tangible Resources have a moderate positive correlation with the financial performance of MSMEs. This suggests that physical assets such as machinery and inventory contribute to financial performance. As Wongwilai (2022) noted, well-maintained physical assets such as machinery and infrastructure enable MSMEs to streamline production processes, reduce operational costs, and meet customer demands more effectively. However, the relatively weak correlation coefficient suggests that tangible resources alone are insufficient in achieving superior financial performance. Effective management and strategic utilization of these assets, combined with other resources, are critical for maximizing their impact (Moscare-Balanquit, 2021). Intangible Resources show a weak but positive correlation, highlighting their significant impact on financial performance, with aspects like brand reputation and organizational culture playing a crucial role. The result reflects the critical importance of intangible

resources, which are often more challenging for competitors to replicate, thus providing a more sustainable competitive advantage (Stan et al., 2022). Intangible assets such as a strong brand reputation, skilled workforce, and innovation capabilities can foster customer loyalty, drive productivity, and support long-term growth (Capozzi, 2005; Fuadiputra, 2021). These findings indicate that MSMEs should prioritize building and leveraging their intangible assets, as these are vital for sustained financial success and market competitiveness.

On the other hand, a weak but significant positive correlation exists between tangible resources and non-financial performance. This suggests that MSMEs that effectively utilize their tangible resources, such as physical assets, equipment, and facilities, tend to see improvements in non-financial performance, such as employee growth and productivity. This aligns with the research by Wongwilai (2022) and Santanaa et al. (2018), which highlights how modern, well-maintained physical assets improve operational efficiency, reduce costs, and enhance employee performance. A weak but improved significant positive correlation is observed between intangible resources and non-financial performance. While their impact is not as strong as tangible resources, intangible assets such as brand reputation and organizational culture still play an important role in MSME success. Research by Vidyanata (2023) and Krstić et al. (2021) underscores the importance of intangible assets in building long-term competitive advantages. A strong brand reputation fosters customer loyalty, while a positive organizational culture drives employee engagement and creativity, both of which contribute to business growth and sustainability.

Lastly, the regression analysis confirms that tangible resources significantly impact MSME performance, meaning more tangible assets are associated with better performance outcomes. This finding aligns with previous studies emphasizing the importance of physical and financial assets in business success. Tangible resources, such as machinery, equipment, and financial capital, are essential in improving operational efficiency and market competitiveness. Research by Wongwilai (2022) and Goel et al. (2015) supports the idea that strategic investments in tangible resources can lead to higher productivity, improved quality, and greater profitability for MSMEs. Although intangible resources have regression coefficient, their impact is not statistically significant. These resources play a critical role in driving innovation, customer loyalty, and sustain competitive advantage. For instance, Krstić et al. (2021) emphasized the importance of intangible resources in fostering customer trust and brand differentiation, which are vital for long-term business success. Although this study did not find significant results for intangible resources, it is likely that their impact is more pronounced over longer periods, which may require further investigation.

The research findings offer several practical implications for MSMEs. Firstly, while tangible resources like modern equipment, optimized infrastructure, and financial capital are crucial for immediate performance improvements, businesses shouldn't neglect intangible resources like brand reputation, organizational culture, and human capital, which are vital for long-term success. This means prioritizing investments in tangible assets while

simultaneously building a strong brand, fostering a positive work environment, and developing employee skills. Secondly, resource allocation should be strategic, aligning investments with business goals, optimizing resource utilization, and balancing short-term needs with long-term development of intangible assets. Thirdly, a long-term perspective is essential, as the impact of intangible resources may take time to manifest. Businesses should continuously develop these assets, foster innovation, and build strong relationships with stakeholders. Fourthly, the ideal mix of tangible and intangible resources will vary depending on the industry, size, and specific market context within Asia. Therefore, businesses should conduct thorough market research, analyze competitors, and adapt to local conditions. Finally, further research is needed to explore the long-term impact of intangible resources, investigate specific intangible resources critical for different sectors, and examine the interplay between tangible and intangible resources. By considering these implications, MSMEs can leverage their resources more effectively for sustainable growth and competitiveness.

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