

## A Province-Wide Assessment of Business Challenges in the Functional Areas of Small and Micro Enterprises

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**Abstract:** The researcher conducted this descriptive study to assess the extent of business challenges encountered by small and micro enterprises (SMEs) in their functional areas in Antique province, Philippines. The researcher-made questionnaire-checklist on the extent of business challenges in the functional areas of small and micro enterprises, validated by experts, served as the study's data-gathering instrument. The study used frequency counts, standard deviations, means, independent-samples t-tests, and One-Way Analysis of variance to analyse the data. The study's results, involving 314 respondents from small and micro enterprises (SMEs) in Antique province, showed a balanced distribution across geographical locations, a diverse demographic profile and a female majority. Businesses were mainly small sole proprietorships in the retail sector, with most owners having prepared a business plan. Funding came mainly from personal savings, underscoring a preference for self-financing. Micro and small firms struggle most with marketing, especially developing effective promotional techniques, although quality, operations, and human resources are also difficult. Maintaining financial records, getting financing, and managing cash flow are equally difficult, highlighting the need for financial knowledge and management skills. However, depending on business size and years of operation, small and micro companies (SMEs) faced different obstacles. No significant variations were detected by age, sex, highest education, location, organization type, business kind, number of employees, written business plan, and funding source.

**Keywords:** Financial Management; Small and Micro Enterprises; Business Plan; One-Way Analysis; Financial Literacy; Data-Gathering Instrument; Management Skills.

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### 1. Introduction

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In recent years, small and micro enterprises have become a growing topic in business and economic development. Small and micro enterprises contribute a significant share of employment in all countries, regardless of income level or region, and are particularly common in developing countries. SMEs, in general, “are seen as the central actors of both national and regional development in many countries”. Del Val and Fuentes [36] in Geneva, Italy, emphasise that SMEs play a vital role in providing income and livelihoods, especially where wage employment is insufficient. In the Philippines, small and micro enterprises also contribute significantly to economic development. They represent 99.6 percent of all businesses registered in the country and employ 69.9 percent of the total labour force. They also account for 32 percent of the country’s gross domestic product (GDP). Although people still seek and engage in business, especially small businesses in the Philippines, “small businesses in the Philippines continue to grow”.

Despite this growth, small and micro enterprises still face challenges. As businesses grow, they may encounter different problems, particularly in their functional areas. These challenges span marketing and finance. Many scholars have examined the business challenges small and micro enterprises face. Pech and Vrchota [27] found that financial aspects and lack of consultant support are major concerns of SMEs. In Antique province, however, micro and small-sized enterprises have strived for profitability and sustainability while also encountering business challenges. These issues have particularly affected small and micro enterprises. Therefore, it is necessary to analyse and interpret business challenges across functional areas. This is to raise awareness and provide information to small and micro business owners in the province. In such enterprises, it is crucial to establish a responsive, integrated, modernised, and active business organization to support profitable, sustainable SMEs in today’s competitive business environment. Given the significant challenges small and micro enterprises in Antique province face, particularly in achieving profitability and sustainability across various functional areas, an investigation into these issues is needed.

Such an analysis is crucial to equip business owners with the awareness and strategies needed to navigate these obstacles. This study aimed to explore these challenges and support SMEs' resilience and growth in a competitive, ever-changing business landscape [36]. Hence, this study was conducted [34]. This study aims to assess the extent of business challenges encountered by small and micro enterprises (SMEs) across key functional areas, while also supporting these enterprises through the implementation of a comprehensive business support extension program in Antique Province, Philippines [21]. Specifically, it seeks to describe the profile of the enterprises in terms of respondents’ and business characteristics; Determine the extent of challenges experienced in the areas of marketing, operations, organizational or human resource management, and finance when considered as a whole and when grouped according to selected variables; and examine whether significant differences exist in the level of these challenges when enterprises are classified according to respondents’ and business profiles [30].

## **2. Literature Review**

### **2.1. Functional Areas of Business**

Functional areas of business highlight how different parts of an organization, such as marketing, finance, operations, and human resources, each play a unique role in helping the company run smoothly and achieve its goals.

#### **2.1.1. Marketing**

A dynamic functional area that plays a crucial role in a company's success. By crafting effective marketing strategies and adapting to evolving trends, marketers help businesses achieve their goals and build lasting customer relationships. Marketers conduct extensive research and analysis of customer behaviour, wants, and needs. This knowledge informs product development, pricing strategies, and communication approaches [17]. Marketers create the "marketing mix" - a framework encompassing the 4Ps: Product, Price, Place (distribution), and Promotion [22].

They determine the optimal combination of these elements to reach target audiences and achieve business objectives effectively. Moreover, building brand awareness, managing brand image, and crafting compelling communication strategies are central to marketing [16]. Marketers use channels such as advertising, social media, public relations, and content marketing to connect with customers. Marketing activities focus on generating qualified leads (potential customers) and nurturing them through the sales funnel [33]. Marketing efforts can also support the sales team by providing product information and sales collateral. Additionally, it helps foster positive customer relationships [8].

This can involve loyalty programs, personalized communication, and building brand communities. Finally, this section notes some recent marketing trends. Digital technologies have transformed marketing, with increased emphasis on social media marketing, search engine optimization (SEO), content marketing, and email marketing [9]. Marketers leverage data analytics to gain customer insights, measure campaign effectiveness, and personalize marketing efforts [10]. Modern marketing

prioritizes creating a positive customer experience across all touchpoints [37]. Building brand loyalty and customer satisfaction are key goals.

### **2.1.2. Operations**

Operations management concerns the processes that produce and deliver an organization's goods or services. In operations, managers ensure efficient production processes by planning capacity, scheduling resources, and managing inventory. This involves optimizing production flow to meet customer demand while minimizing waste and costs. It works closely with suppliers to ensure a smooth flow of materials and resources throughout the production process, including supplier selection, inventory management, and logistics. Moreover, maintaining consistent quality standards is crucial for operations. Managers implement quality control procedures and strive for continuous improvement. Recent trends in operations show that the field has increasingly adopted advanced technologies such as automation, robotics, and data analytics to improve efficiency, productivity, and decision-making. Operations are incorporating sustainable practices to minimize environmental impact. This can involve reducing waste, using eco-friendly materials, and optimizing energy consumption. Many businesses operate across borders. Operations management must consider factors like international trade, cultural differences, and global supply chains.

### **2.1.3. Organisational/ Human Resource**

HR has evolved from purely administrative tasks into a strategic partner within organizations. It attracts, recruits, develops, and retains top talent, ensuring the organization has the skilled workforce it needs to succeed. HR anticipates future skill needs based on business strategy and develops plans to address any gaps. This proactive approach ensures the organization has the right talent at the right time. Establishes performance goals, evaluates employee performance, and provides feedback to drive continuous improvement. Effective performance management systems motivate employees and help achieve organizational objectives. It also fosters a positive work environment that keeps employees engaged and productive. This can include creating growth opportunities, implementing recognition programs, and fostering a strong company culture. Recent trends increasingly focus on using data analytics to gain insights into workforce trends, talent acquisition, and employee performance. Data-driven HR decisions can improve efficiency and effectiveness. Furthermore, organizations are recognising the importance of diversity and inclusion (D&I) initiatives. HR practices are evolving to attract, retain, and develop a diverse workforce and foster a more inclusive work environment. HR practices adapt to the changing work landscape, including the rise of remote work, the gig economy, and automation. HR must develop new strategies to manage a more flexible workforce and address evolving skill sets.

### **2.1.4. Finance**

The finance function plays a critical role in managing the organization's financial health [6]. Finance professionals create financial forecasts, budgets, and analyze financial data to support strategic decision-making. This helps ensure the organization has sufficient resources to achieve its goals. They evaluate potential investments and recommend the best allocation of capital resources. This involves analysing investment risks and expected returns. Financial managers identify, assess, and mitigate the financial risks the business faces [12]. This can include managing debt levels, hedging currency risk, and managing credit risk. They also ensure accurate and timely financial reporting [38]. This involves preparing financial statements, such as income statements, balance sheets, and cash flow statements, in accordance with accounting standards.

Additionally, they ensure compliance with relevant financial regulations. Recent trends in the finance area include financial technology (FinTech), which is transforming the finance function [31]. Finance departments are increasingly adopting FinTech solutions like cloud computing, robotic process automation (RPA), and artificial intelligence (AI) to improve efficiency, automate tasks, and gain deeper financial insights. This supports the growing importance of sustainability in businesses. This can involve considering environmental, social, and governance (ESG) factors in financial decision-making and supporting sustainable investments. The use of big data and data analytics is increasing in finance. This enables more informed decision-making through real-time data analysis and a holistic view of the organization's financial health.

## **2.2. Challenges Encountered in Functional Areas**

Business managers directing the changing marketing environment must continuously adapt to technological advances and consumer preferences. They need to not only stay up to date with new marketing strategies but also excel at implementing them, as noted by Chaffey and Ellis-Chadwick [9] and Radha et al. [4]. Measuring the Return on Investment (ROI) of marketing campaigns poses a significant challenge in this dynamic landscape. Studies by Damodaran [12] and Buchanan and Huczynski [7] highlight the challenges of assessing performance across different marketing channels and of optimizing budget allocation to enhance campaign effectiveness. Moreover, personalising marketing efforts to connect effectively with target audiences is challenging in today's crowded online space. Businesses must modify their messaging to meet the specific needs of different

audience segments to differentiate themselves. Building brand awareness and establishing trust in competitive markets is also crucial.

To achieve these goals, businesses need to invest in strategic marketing initiatives and make sustained efforts to stand out and build customer loyalty. Additionally, adhering to data privacy regulations poses new challenges. As research by Radha et al. [4] and Buchanan and Huczynski [7] indicates, navigating evolving regulations and maintaining ethical data-handling practices remain ongoing concerns. Operational areas also prioritize efficient, affordable production processes. Balancing quality, cost, and speed while using resources effectively and reducing waste remains challenging. Maintaining supply chain stability and reducing disruption risks are essential. Managing supplier relationships, handling unexpected events, and ensuring timely deliveries remain ongoing challenges. In addition, embracing new technologies and incorporating them into current business practices poses challenges. Integrating advanced technologies such as automation and artificial intelligence often requires substantial financial outlay, training, and operational changes [18]. Moreover, operations managers face ongoing challenges in managing personnel effectively, promoting workplace contentment, and complying with labour laws.

To succeed in business, it is crucial to keep focusing on attracting and retaining skilled workers, motivating employees, and complying with labour laws [2]; [35]. Balancing inventory levels and minimising storage costs is also challenging. It involves carefully managing inventory to meet customer demand without overstocking and incurring unnecessary storage expenses. Business owners also face challenges managing their teams and attracting and retaining qualified employees. The job market makes it hard to find and keep skilled workers. Factors such as pay expectations, work-life balance, and opportunities for career growth contribute to this Ibrahim et al. [3]. Maintaining a positive workplace and encouraging employee involvement comes with challenges. Establishing a culture that prioritises employee happiness, motivation, and dedication increases productivity but requires sustained effort [39]. Additionally, managing a diverse workforce and fostering an inclusive environment presents challenges. Acknowledging cultural distinctions, promoting inclusivity, and preventing discrimination require proactive measures and ongoing training. Businesses can struggle to comply with all labour-related rules and regulations. New laws and rules constantly govern how to hire people, pay them, provide benefits, and protect their rights [26].

Businesses also struggle to keep up with changing needs. Making changes within the organization, overcoming employee resistance and gaining employee support can be hard during times of growth or change. Business owners face many financial management hurdles. One difficulty is securing enough funding to run and grow the business. New companies, in particular, may struggle to obtain loans, attract investors, or maintain strong cash flow. Furthermore, managers struggle to maintain strong cash flow and financial stability. Balancing cash inflows and outflows, controlling costs, and securing enough working capital can all be difficult [25]. Financial decision-making involves making wise investment choices, allocating resources effectively, and managing finances responsibly. Planning and analysis are crucial for making informed decisions and achieving financial goals. Managing finances also requires accurate recordkeeping and compliance with tax regulations. This requires ongoing efforts to maintain proper records, generate necessary reports, and meet legal requirements. For business owners, managing financial risks and avoiding potential losses can be difficult. They need to actively identify and reduce financial risks arising from market changes, economic slowdowns, and unexpected events.

### **2.3. Related Studies on Business Challenges Encountered by SMEs in Functional Areas**

Sahid and Hamid [32] studied the impact of digital marketing on the competitiveness of the restaurant industry. They found that SMEs' challenges stem from limited marketing budgets and a lack of in-house marketing expertise. This makes it difficult for them to compete with larger businesses that have more resources. Another challenge Mhlongo and Daya [23] identify is effectively targeting the right audience with limited marketing resources. SMEs often struggle to identify their ideal customer and develop targeted marketing campaigns. While the traditional priorities of business growth and expansion (48%) remain important, the WEF highlights talent acquisition and retention as a major concern for SMEs. Beyond securing funding (24%) and adapting to the policy environment (22%), fostering a strong company culture and clear purpose (34%) emerges as a critical challenge for SMEs, alongside the need to embrace technology and innovation (25%). Moreover, due to limited storage space and financial resources, Hult et al. [25] note that SME owners often struggle to manage inventory levels efficiently. This can lead to stockouts or overstocking, both of which can negatively impact profitability.

Maintaining consistent quality standards can be challenging for SMEs, especially those competing with larger businesses. Gunasekaran and Irani [18] emphasise the need for SMEs to invest in quality control processes even with limited resources. Chaffey and Smith [10] identified key areas of talent management in theory and practice and highlighted SMEs' challenge of lacking dedicated HR personnel. This can create difficulties with tasks such as recruitment, performance management, and employee relations. Another challenge Desiderio [13] identified is providing adequate training and development opportunities due to limited budgets. This can hinder employee skills development and limit business growth. SMEs struggle to access traditional bank loans, a key obstacle highlighted by Semrau and Sigmund [11]. This lack of funding limits their capacity to invest in growth and expand their businesses. Brigham and Houston [38] highlight another challenge faced by some small

business owners: a lack of financial management expertise. This lack of proficiency makes it challenging for them to control cash flow effectively, make informed investment decisions, and monitor financial performance.

## **2.4. Theoretical Framework**

The resource-based theory of competitive advantage Holdford [19] suggests that the long-term success of business innovation, such as a pharmacy service, is based on the firm's internal resources, its capabilities in using those resources to develop a competitive advantage, and the innovation's contribution to the firm's financial performance in a market. This theory defines a firm as a business organization that offers goods and services and views innovation as an evolutionary process shaped by various factors. The theory posits that demand varies across market segments, that consumers and firms lack perfect information, and that humans are motivated by self-interest. Firms seek superior financial performance, and their heterogeneous resources, including physical, human, and organizational capital, are the source of innovation. Competition is the source of innovation, and financial performance between firms varies depending on their resources and capabilities. Successful innovations depend not only on the innovation itself, but also on the people involved, the organization behind it, the contextual factors surrounding its implementation and dissemination, and the innovation's benefits to stakeholders and the firm. The theory has been extensively studied, allowing researchers to understand and explain what works, where it works, and why.

## **3. Methodology**

This study employed a descriptive research design to examine the extent of business challenges faced by small and micro enterprises (SMEs) across key functional areas: marketing, operations, human resources, and finance. The research was conducted in Antique province, Western Visayas, covering all eighteen municipalities. The respondents were 314 SME owners selected from a population of 1,474 registered enterprises using a multi-stage sampling technique, including Slovin's formula, stratified sampling, and lottery sampling to ensure proportional and unbiased representation. Data were gathered using a researcher-made, validated, and reliability-tested questionnaire consisting of two parts: respondents' and enterprise profiles, and the extent of business challenges in the four functional areas. Responses were measured using a four-point Likert scale and analysed using descriptive statistics (frequency, percentage, mean, and standard deviation) and inferential statistics (t-test, one-way ANOVA, and Pearson's  $r$ ) at the 0.05 level of significance. Data collection was conducted through proper coordination with local authorities and business offices, and all data were processed using SPSS version 26.0.

## **4. Results and Discussions**

### **4.1. The Profiles of the Respondents**

Table 1 presents the respondents' profiles, analysed using frequencies and percentages. The data revealed that, by location, 174 respondents (55%) were in the North District, indicating that a slight majority of the surveyed individuals operate or reside in this area. The remaining 140, or 45%, are from the South District, indicating a fairly balanced distribution of respondents across geographic locations. In terms of age, younger individuals aged 39 and below made up 98, or 31%, of the group, suggesting strong representation of the younger generation. The largest age group is the middle-aged bracket (40 to 59 years old), with 152 respondents or 49%. This suggests that nearly half of the participants are middle-aged, possibly reflecting a period of stable business operation or career development. Seniors, aged 60 and above, make up 64 (20%) of the sample, underscoring the involvement of older individuals in the business landscape, though to a lesser extent than younger cohorts. By sex, 138 males (44%) were represented, suggesting significant but minority representation, while females were more prevalent, with 176 (56%) of respondents. This indicates a female majority among the participants, possibly reflecting greater female engagement or participation in the study. Regarding educational attainment, a smaller proportion, 63 (20%), have education up to the elementary level. The majority, 190 respondents (61%), have attained a high school education, indicating that many have completed secondary education but may not have pursued further academic qualifications. College-educated individuals account for 61 (19%) of the group, indicating that a notable portion has attained higher education.

In terms of organizational form, 126 businesses (40%) were sole proprietorships, suggesting a preference for or dominance of single-owner business structures. Another 106 businesses (34%) were partnerships, indicating that many operate through collaborative ownership. The remaining 82, or 26%, are family-owned businesses, underscoring the role of family in business ownership and operation. In terms of business type, retail businesses are the most common, with 142 respondents (45%) engaged in retailing, underscoring the sector's prominence in the province. There were 51 manufacturers or producers, or 16% of the group, indicating a smaller but significant share involved in production. Service-oriented businesses make up 64% (20%), suggesting notable engagement in the service sector. Lastly, 57 (18%) were wholesalers, reflecting the diversity of business types among respondents. Of the respondents, 213 (68%) had prepared business plans, demonstrating a strong inclination toward strategic planning in business operations. The remaining 101 (32%) had not prepared a business plan, which could reflect factors ranging from the nature of the business to the owner's approach to business management. In terms of years in

operation, 56 (18%) are relatively new businesses, indicating that emerging entities occupy a portion of the market. Additionally, the bulk of businesses, 188 (60%), have operated for 4 to 6 years, showing that many establishments are in a potentially stable phase of operation. Older businesses, operating for 7 years or more, make up 22% (22%), suggesting longevity and possibly sustained success.

**Table 1:** Profile of the respondents according to variables

| Category                              | Frequency | Percentage |
|---------------------------------------|-----------|------------|
| <b>Age</b>                            |           |            |
| 39 and below                          | 98        | 31         |
| 40 to 59 years old                    | 152       | 49         |
| 60 and above                          | 64        | 20         |
| <b>Sex</b>                            |           |            |
| Male                                  | 138       | 44         |
| Female                                | 176       | 56         |
| <b>Highest Educational Attainment</b> |           |            |
| Elementary                            | 63        | 20         |
| High School                           | 190       | 61         |
| College                               | 61        | 19         |
| <b>Location</b>                       |           |            |
| North District                        | 174       | 55         |
| South District                        | 140       | 45         |
| <b>Form of Organization</b>           |           |            |
| Sole Proprietorship                   | 126       | 40         |
| Partnership                           | 106       | 34         |
| Family-Owned Business                 | 82        | 26         |
| <b>Nature of Business</b>             |           |            |
| Retailer                              | 142       | 45         |
| Manufacturer/Producer                 | 51        | 16         |
| Service                               | 64        | 20         |
| Wholesaler                            | 57        | 18         |
| <b>Prepared Business Plan</b>         |           |            |
| Yes                                   | 213       | 68         |
| No                                    | 101       | 32         |
| <b>Number of Years in Operation</b>   |           |            |
| 3 years and below                     | 56        | 18         |
| 4 to 6 years                          | 188       | 60         |
| 7 years and above                     | 70        | 22         |
| <b>Size of Business</b>               |           |            |
| Micro                                 | 197       | 63         |
| Small                                 | 117       | 37         |
| <b>Source of Fund</b>                 |           |            |
| Bank loan                             | 86        | 27         |
| Personal savings                      | 133       | 42         |
| Retained profits                      | 29        | 9          |
| Family/friends                        | 66        | 21         |
| Total                                 | 314       | 100        |

In terms of business size, the majority, 197 (63%), were classified as micro businesses, demonstrating the dominance of small-scale operations in the province. The remaining 117 (37%) were small businesses, indicating that a considerable number of respondents operate slightly larger businesses that remain within the small-scale category. Ultimately, in terms of funding sources, 86 (27%) used bank loans, suggesting reliance on external financing from banking institutions. The most common source was personal savings, with 133 (42%) indicating a significant preference or necessity to self-fund. A smaller portion (29, 9%) used retained profits, which could reflect a degree of business maturity and profitability. Finally, 66 people or 21%, had sourced funding from family or friends, highlighting the role of personal networks in business financing.

#### 4.2. Extent of Business Challenges in Functional Areas of Small and Micro Enterprises

Table 2 presents the mean, standard deviation, and rank of small and micro enterprises' overall business challenges across functional areas. The results reveal that marketing obtained the highest mean score ( $M = 2.76$ ,  $SD = 0.35$ ), ranking first and interpreted as challenging. This indicates that SMEs experience the greatest difficulty in attracting and retaining customers, suggesting intense market competition and possible limitations in marketing strategies and resources. Finance ranked second ( $M = 2.52$ ,  $SD = 0.33$ ) and was also perceived as challenging, reflecting concerns about financial management, such as cash flow, access to funding, and financial planning. In contrast, operations ( $M = 2.49$ ,  $SD = 0.30$ ) and organisational/human resources ( $M = 2.27$ ,  $SD = 0.26$ ) were interpreted as somewhat challenging, ranking third and fourth, respectively.

**Table 2:** Mean, standard deviation, and ranks of small and micro enterprises' overall business challenges in functional areas

| Functional Areas              | Mean | SD  | Rank | Interpretation       |
|-------------------------------|------|-----|------|----------------------|
| Marketing                     | 2.76 | .35 | 1    | Challenging          |
| Operations                    | 2.49 | .30 | 3    | Somewhat Challenging |
| Organizational/Human Resource | 2.27 | .26 | 4    | Somewhat Challenging |
| Finance                       | 2.52 | .33 | 2    | Challenging          |
| Overall Mean                  | 2.49 | .16 | -    | Somewhat Challenging |

This implies that while SMEs still face issues in production processes, resource access, and workforce management, these are less pressing than marketing and financial concerns. The overall mean score of 2.49 ( $SD = 0.16$ ), interpreted as somewhat challenging, suggests that SMEs generally face moderate difficulty across functional areas. The findings imply that SME support interventions should prioritize strengthening marketing capabilities and financial management skills, as these are the most critical areas of concern. Programs focusing on digital marketing, customer engagement strategies, financial literacy, and access to capital may significantly improve business performance. Additionally, although operations and human resource challenges are less severe, continuous training in efficient resource management and employee development remains important to ensure sustainable enterprise growth.

#### 4.3. Small and Micro Enterprises' Overall Extent of Business Challenges in Functional Areas

Table 3 shows the results of the overall extent of business challenges faced by micro and small enterprises across different functional areas, as indicated by the mean score of 2.50 ( $SD=.31$ ). Further analysis of the data shows that micro and small businesses generally face challenges to a "Somewhat Challenging" extent ( $M=2.49$ ,  $SD=.16$ ), with variations across different areas. Specifically, marketing presents more frequent challenges ( $M=2.76$ ,  $SD=.35$ ), making it a particularly difficult area because of issues such as finding new customers, competition, limited marketing knowledge, and difficulties with product promotion and pricing. The greatest challenge within marketing involves identifying the best ways to promote or market products, rated as "Challenging" ( $M=3.22$ ,  $SD=.78$ ). On the other hand, the quality of products and services was perceived as "somewhat challenging" ( $M=1.79$ ,  $SD=.703$ ), suggesting that while businesses are confident in their offerings, their main struggle is with customer outreach and retention. Operational challenges were also considered "somewhat challenging" ( $M=2.49$ ,  $SD=.30$ ), with the most significant issue being the lack of upgraded facilities and equipment, which was rated as "challenging" ( $M=3.03$ ,  $SD=.89$ ). This indicates the importance of facility and equipment upgrades for operational efficiency. In the organizational/human resources area, challenges are perceived as "somewhat challenging" ( $M=2.27$ ,  $SD=.26$ ), indicating moderate difficulty in managing human resources and organizational aspects.

**Table 3:** Mean and standard deviation of small and micro enterprises' overall business challenges in marketing

| Functional Area                                                        | Mean | SD   | Interpretation       |
|------------------------------------------------------------------------|------|------|----------------------|
| <b>Marketing</b>                                                       |      |      |                      |
| I have difficulty finding new customers and keeping existing customers | 2.86 | .97  | Challenging          |
| I have encountered too much competition                                | 2.91 | .88  | Challenging          |
| I don't know the best way to promote or market my products             | 3.22 | .78  | Challenging          |
| I lack knowledge in costing/pricing my products/ services              | 2.91 | 1.04 | Challenging          |
| I have a problem with the quality of my products and services          | 1.79 | .703 | Somewhat Challenging |
| I have no access to technology to promote my products/ services        | 2.98 | .79  | Challenging          |
| I have no skill in innovating my products/services                     | 2.63 | .97  | Challenging          |
| Subtotal Mean                                                          | 2.76 | .35  | Challenging          |
| <b>Operations</b>                                                      |      |      |                      |
| I have difficulty in accessing sources of raw materials/goods          | 2.92 | .87  | Challenging          |

|                                                                                                   |      |      |                      |
|---------------------------------------------------------------------------------------------------|------|------|----------------------|
| My business lacks quality control                                                                 | 1.80 | .70  | Somewhat Challenging |
| I have limited equipment and machinery                                                            | 2.77 | .86  | Challenging          |
| My business lacks skilled workers                                                                 | 2.75 | .92  | Challenging          |
| The location is not accessible/strategic                                                          | 1.95 | .72  | Somewhat Challenging |
| My facilities and equipment are not up to date                                                    | 3.03 | .89  | Challenging          |
| My store space is very limited                                                                    | 1.96 | .72  | Somewhat Challenging |
| I am concerned about the uncertainty in market trends                                             | 2.73 | .99  | Challenging          |
| Subtotal Mean                                                                                     | 2.49 | .30  | Somewhat Challenging |
| <b>Organizational/Human Resource</b>                                                              |      |      |                      |
| My knowledge and understanding of leadership/managerial skills are limited                        | 1.82 | .67  | Somewhat Challenging |
| I lack well-trained, qualified staff                                                              | 1.91 | .68  | Somewhat Challenging |
| I failed to plan for my business                                                                  | 1.88 | .77  | Somewhat Challenging |
| I have no access to mentors who can provide guidance/trainings/seminar                            | 2.93 | .93  | Challenging          |
| I lack funds to train existing staff on the latest technology and skills                          | 2.49 | 1.06 | Somewhat Challenging |
| I have not adapted policies on the conduct of my business                                         | 1.93 | .71  | Somewhat Challenging |
| Insufficient funds to hire qualified staff                                                        | 2.01 | .70  | Somewhat Challenging |
| Some market regulations, such as upgrading equipment and facilities, are difficult to comply with | 2.43 | .94  | Somewhat Challenging |
| I have a hard time adapting to innovations and learning new technologies                          | 3.03 | .70  | Challenging          |
| Subtotal Mean                                                                                     | 2.27 | .26  | Somewhat Challenging |
| <b>Finance</b>                                                                                    |      |      |                      |
| I lack financial records                                                                          | 2.56 | .80  | Challenging          |
| I lack capital/financing                                                                          | 2.39 | .80  | Somewhat Challenging |
| I have difficulty accessing finance and credit                                                    | 1.94 | .72  | Somewhat Challenging |
| I have no enough/insufficient and inconsistent cash flow                                          | 2.80 | .80  | Challenging          |
| I have limited knowledge in preparing the financial statements                                    | 2.97 | .96  | Challenging          |
| I have not complied with some taxes and still have outstanding balances                           | 2.20 | .82  | Somewhat Challenging |
| I have no preparation for unforeseen expenses                                                     | 2.82 | .79  | Challenging          |
| Subtotal Mean                                                                                     | 2.52 | .33  | Challenging          |
| Overall Mean                                                                                      | 2.50 | .31  | Challenging          |

The need for more support and training is evident, with access to mentors and adapting to innovations rated as "challenging" ( $M=3.03$ ,  $SD=.70$ ). Ultimately, finance challenges were generally considered "challenging" ( $M=2.52$ ,  $SD=.33$ ), with maintaining financial records, accessing capital, and managing cash flow as significant issues. Financial statement preparation, in particular, was noted as "challenging" ( $M=2.97$ ,  $SD=.96$ ), highlighting a gap in financial literacy and management capabilities among these businesses. Small and medium-sized firms (SMEs) do better than those with a short history. Research identifies three major elements that contribute to success: the individual (personal or entrepreneurial), the firm (enterprise), and the external environment (business environment). Empirical research indicates that individual variables, external circumstances, and corporate features all affect performance. Recognizing opportunities positively influences company performance, as do marketing, technology, and access to capital. Successful SMEs are critical to a country's economic success, as they provide jobs and stimulate economic growth [24]. The fifth industrial revolution has transformed enterprises, requiring entrepreneurs, managers, and SMEs to devise methods to overcome challenges. Strategic orientation is critical for gaining a competitive advantage and achieving good performance, as it increases access to cash, expertise, markets, and digital technology, thereby affecting corporate operations [40].

#### 4.4. Small and Micro Enterprises' Extent of Business Challenges in Functional Areas Classified According to Respondents' Profile

This section categorizes the extent of business challenges faced by small and micro enterprises in functional areas, classified by respondents' age, sex, and highest educational attainment.

##### 4.4.1. Age

Table 4 presents data on the challenges small and micro enterprises (SMEs) face across functional areas, classified by business owners' age groups. The data revealed that in the area of marketing, all age groups rated the challenges faced by business owners as "Challenging" ( $M=2.73$ ,  $SD=.26$ ;  $M=2.77$ ,  $SD=.34$ ;  $M=2.78$ ,  $SD=.36$ ). The findings suggest that marketing challenges marginally intensify with the age of the business owners, possibly reflecting changes in market dynamics, customer preferences, or the adaptability of older entrepreneurs to digital marketing strategies, all of which remain consistently

challenging across age groups. In terms of operations, business owners aged 39 and below and 40 to 59 years old viewed these challenges as “Somewhat Challenging” ( $M=2.46$ ,  $SD=.26$ ;  $M=2.50$ ,  $SD=.28$ ), respectively, while those aged 60 and above viewed them as “Challenging” ( $M=2.51$ ,  $SD=.32$ ).

**Table 4:** Small and micro enterprises’ business challenges in functional areas when classified according to age

| Functional Areas                                                                                               | 39 and below |     |      | 40-59 Years Old |     |      | 60 and above |     |      |
|----------------------------------------------------------------------------------------------------------------|--------------|-----|------|-----------------|-----|------|--------------|-----|------|
|                                                                                                                | Mean         | SD  | Int. | Mean            | SD  | Int. | Mean         | SD  | Int. |
| Marketing                                                                                                      | 2.73         | .26 | C    | 2.77            | .34 | C    | 2.78         | .36 | C    |
| Operations                                                                                                     | 2.46         | .26 | SC   | 2.50            | .28 | SC   | 2.51         | .32 | C    |
| Organizational/ Human Resource                                                                                 | 2.28         | .28 | SC   | 2.25            | .25 | SC   | 2.30         | .25 | SC   |
| Finance                                                                                                        | 2.52         | .31 | C    | 2.52            | .32 | C    | 2.51         | .38 | C    |
| <i>Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.</i> |              |     |      |                 |     |      |              |     |      |

This indicates that operational challenges are perceived to become more daunting with age. This may be due to the need to keep up with technological advancements or process optimisations. Moreover, challenges in the area of organization/human resources were “Somewhat Challenging” across age groups ( $M=2.28$ ,  $SD=.28$ ;  $M=2.25$ ,  $SD=.25$ ;  $M=2.30$ ,  $SD=.25$ ). This implies that concerns like finding, training, and retaining qualified staff or developing effective leadership and management skills are encountered by the business owners. The slight increase in mean scores for the oldest group suggests that more experienced owners or managers may face greater challenges adapting to new human resource practices or mentoring. Ultimately, finance challenges were consistently “Challenging” across all age groups ( $M=2.52$ ,  $SD=.31$ ;  $M=2.52$ ,  $SD=.32$ ;  $M=2.51$ ,  $SD=.38$ ). This suggests that issues such as managing cash flow, accessing credit, and financial planning are significant concerns for SMEs regardless of the age of their owners or managers. The consistency across age groups highlights the universal nature of financial challenges in running a business. These results align with Abidin et al. [1], which found that age affects MSME growth.

#### 4.4.2. Sex

Table 5 shows the challenges faced by small and micro enterprises (SMEs), classified by sex. The data revealed that in marketing, both female and male business owners rated the challenges they face as “Challenging” ( $M=2.77$ ,  $SD=.34$ ;  $M=2.75$ ,  $SD=.36$ ), indicating a challenging environment.

**Table 5:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to sex

| Functional Areas               | Female |     |                      | Male |     |                      |
|--------------------------------|--------|-----|----------------------|------|-----|----------------------|
|                                | Mean   | SD  | Interpretation       | Mean | SD  | Interpretation       |
| Marketing                      | 2.77   | .34 | Challenging          | 2.75 | .36 | Challenging          |
| Operations                     | 2.47   | .35 | Somewhat Challenging | 2.51 | .30 | Challenging          |
| Organizational/ Human Resource | 2.25   | .27 | Somewhat Challenging | 2.30 | .24 | Somewhat Challenging |
| Finance                        | 2.55   | .33 | Challenging          | 2.49 | .34 | Somewhat Challenging |

This suggests that marketing is a common challenge in running a small or micro-enterprise, possibly because of the competitive nature of attracting and retaining customers and the evolving digital marketing landscape. When observing operations, a slight difference emerges. Female business owners found operations “Somewhat Challenging” ( $M=2.47$ ,  $SD=.35$ ). In contrast, male business owners rated these challenges as “Challenging” ( $M=2.51$ ,  $SD=.30$ ). This indicates that differing approaches to managing supply chains, production processes, or operational efficiencies, potentially influenced by gender-based preferences or experiences, may have influenced these ratings. Moreover, the organizational/human resource area presents a slightly higher challenge for males, though both were deemed “Somewhat Challenging” ( $M=2.30$ ,  $SD=.24$ ;  $M=2.25$ ,  $SD=.27$ ).

This slight variation reflects minimal differences in managing personnel, accessing skilled labor, and developing effective organizational structures, possibly indicating that male business owners perceive a little greater difficulty in these areas. However, sex differed in rating finance challenges, with females finding them more challenging than males, as indicated by “Challenging” ( $M=2.55$ ,  $SD=.33$ ;  $M=2.49$ ,  $SD=.34$ ). While both groups rate financial issues as a major concern, the higher mean score for females underscores the particular financial barriers they face, such as accessing capital, managing cash flow, and directing financial planning. This suggests a gender gap in financial management and access to financial resources. The study by Expósito et al. [15] is revealing: compared to women-led SMEs, men-led SMEs are more likely to achieve better performance through innovation, notably their higher inclination to apply process improvements.

#### 4.4.3. Highest Educational Attainment

Table 6 presents the business challenges of small and micro enterprises (SMEs) by highest educational attainment. The data revealed that, in marketing, all educational groups rated it as “Challenging” ( $M=2.77$ ,  $SD=.34$ ;  $M=2.74$ ,  $SD=.35$ ;  $M=2.80$ ,  $SD=.34$ ). This suggests that marketing remains a common problem for small- and micro-business owners. The findings suggest that practical experience and market dynamics may play a larger role in marketing challenges than formal education. For operations, business owners who are elementary graduates perceived these challenges as “Challenging” ( $M=2.52$ ,  $SD=.29$ ), while both college and high school graduates perceived them as “Somewhat Challenging” ( $M=2.50$ ,  $SD=.32$ ;  $M=2.46$ ,  $SD=.29$ ), respectively. This indicates that higher education provides better tools or strategies to address operational challenges than lower education, although the difference is minimal.

**Table 6:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to highest educational attainment

| Functional Areas                                                                                               | College |     |      | High School |     |      | Elementary |     |      |
|----------------------------------------------------------------------------------------------------------------|---------|-----|------|-------------|-----|------|------------|-----|------|
|                                                                                                                | Mean    | SD  | Int. | Mean        | SD  | Int. | Mean       | SD  | Int. |
| Marketing                                                                                                      | 2.77    | .34 | C    | 2.74        | .35 | C    | 2.80       | .34 | C    |
| Operations                                                                                                     | 2.50    | .32 | SC   | 2.46        | .29 | SC   | 2.52       | .29 | C    |
| Organizational/ Human Resource                                                                                 | 2.30    | .27 | SC   | 2.26        | .27 | SC   | 2.29       | .23 | SC   |
| Finance                                                                                                        | 2.51    | .36 | C    | 2.52        | .33 | C    | 2.54       | .29 | C    |
| <i>Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.</i> |         |     |      |             |     |      |            |     |      |

Moreover, organizational/human resource challenges show a slight difference across educational groups but indicate that these challenges were “Somewhat Challenging” ( $M=2.30$ ,  $SD=.27$ ;  $M=2.26$ ,  $SD=.27$ ;  $M=2.29$ ,  $SD=.23$ ). This reflects a more explicit understanding of organizational dynamics and human resource management among those with higher education, possibly due to exposure to management theories or practices during their studies. Finally, in the finance domain, the owners were consistently rated as “Challenging” ( $M=2.51$ ,  $SD=.36$ ;  $M=2.52$ ,  $SD=.33$ ;  $M=2.54$ ,  $SD=.29$ ) across all levels of educational attainment. This highlights the universal struggle with financial management, access to credit, and budgeting among SME owners. A lack of human capital education and training is a key cause of SMEs' high failure rate and helps explain why these businesses fail so frequently in most nations. Small business owners and managers should invest more in business education and training to gain information that helps them build distinctive business strategies [29].

#### 4.5. Small and Micro Enterprises’ Extent of Business Challenges in Functional Areas Classified According to Enterprises’ Profile

The extent of business challenges in functional areas for small and micro enterprises, when classified by enterprise profile, was categorized by location, form of organization, nature of business, prepared business plan, years in operation, business size, and source of funds. The fifth industrial revolution has prompted enterprises to adopt a strategic orientation to gain competitive advantage by enhancing access to cash, expertise, markets, and digital technology, thereby affecting corporate operations. According to Yahaya and Nadarajah [40], the COVID-19 pandemic has substantially affected the global economy, particularly SMEs, resulting in financial difficulties and reduced income. Global policymakers see strong strategic direction and innovation as critical to accomplishing development goals. Firms with a strong strategic orientation, such as entrepreneurial, market, or learning orientation, have access to knowledge on innovation policies and can influence government changes. Government assistance can help businesses develop new goods and services using technology, whereas funding can help them expand capacity and remain competitive. Strategic orientation is critical for firms to overcome market problems, gain a competitive edge, and achieve high performance.

##### 4.5.1. Location

Table 7 shows the extent of business challenges faced by small and micro enterprises across functional areas, by location. In the marketing area, business owners in both districts reported it as “Challenging” ( $M=2.75$ ,  $SD=.32$ ;  $M=2.76$ ,  $SD=.38$ ), indicating that marketing efforts are perceived as challenging regardless of location. This suggests that external factors influencing marketing, such as market saturation or consumer behaviour, may be relatively consistent across these geographical areas or that marketing challenges are universally significant for SMEs. Operational challenges varied slightly between the two districts. In the North District, operations were perceived as “Challenging” ( $M=2.51$ ,  $SD=.31$ ). In contrast, in the South District, operations were perceived as “Somewhat Challenging” ( $M=2.46$ ,  $SD=.25$ ). This difference reflects local disparities in infrastructure, supply chain logistics, or access to resources that can impact operational efficiency. Moreover, organizational and human resource challenges in both districts were rated as “Somewhat Challenging” ( $M=2.29$ ,  $SD=.27$ ;  $M=2.25$ ,  $SD=.25$ ). These findings suggest that internal challenges related to managing people and organizational structures are a common concern

for SMEs, possibly due to the universal complexities of human resource management and organizational development that are not heavily influenced by location.

**Table 7:** Mean and standard deviation of the small and micro enterprises' business challenges in functional areas when classified according to location

| Functional Areas               | North District |     |                      | South District |     |                      |
|--------------------------------|----------------|-----|----------------------|----------------|-----|----------------------|
|                                | Mean           | SD  | Interpretation       | Mean           | SD  | Interpretation       |
| Marketing                      | 2.75           | .32 | Challenging          | 2.76           | .38 | Challenging          |
| Operations                     | 2.51           | .31 | Challenging          | 2.46           | .25 | Somewhat Challenging |
| Organizational/ Human Resource | 2.29           | .27 | Somewhat Challenging | 2.25           | .25 | Somewhat Challenging |
| Finance                        | 2.52           | .35 | Challenging          | 2.53           | .31 | Challenging          |

Ultimately, finance challenges were perceived similarly across districts, with both rated as “Challenging” ( $M=2.52$ ,  $SD=.35$ ;  $M=2.53$ ,  $SD=.31$ ). This indicates that financial issues, such as access to capital, cash flow management, and financial planning, are a significant concern for SMEs, irrespective of their geographical location. The consistency in the extent of these challenges underscores the critical nature of financial management as a fundamental challenge for businesses in both districts. Financial restrictions stifle SMEs' growth by prohibiting them from investing in new technology and increasing competitiveness. Financial decision-making is critical to business performance, and collateral, interest rates, additional bank charges, an inability to assess financial viability, and a lack of financial management skills have been cited as limiting factors. SMEs select locations based on key success factors, giving them a competitive advantage over rivals that choose locations at random. An appropriate site improves market competitiveness by increasing production capacity, maintaining profit margins, and lowering expenses, whereas an unsuitable location reduces competitiveness. Studies on international and retail site selection reveal differences in the parameters that influence success [20].

#### 4.5.2. Form of Organization

Table 8 presents perceived business challenges across functional areas for small and micro enterprises (SMEs), classified by form of organization. The data revealed that, in marketing, all three forms of organization face similar levels of challenges, indicating that these were “Challenging” ( $M=2.75$ ,  $SD=.36$ ;  $M=2.77$ ,  $SD=.36$ ;  $M=2.75$ ,  $SD=.33$ ), respectively. This suggests that, regardless of organizational form, marketing remains a demanding field, possibly because attracting and retaining customers across markets is competitive. Operations challenges differ slightly among the forms, with family-owned and partnership businesses rated it as “Somewhat Challenging” ( $M=2.50$ ,  $SD=.28$ ;  $M=2.44$ ,  $SD=.31$ ), respectively, while sole proprietorships rated it as “Challenging” ( $M=2.52$ ,  $SD=.30$ ). This indicates that sole proprietorships find it slightly harder to manage their operations compared to businesses that can rely on a broader base of family or partners for support, potentially due to limited resources or human resources. Moreover, challenges in organization/human resources were perceived as “Somewhat Challenging” across all organizational forms ( $M = 2.27$ ,  $SD = .24$ ;  $M = 2.26$ ,  $SD = .30$ ;  $M = 2.28$ ,  $SD = .24$ ).

**Table 8:** Mean and standard deviation of small and micro enterprises' business challenges in functional areas when classified according to form of organization

| Functional Areas              | Sole Proprietorship |     |      | Partnership |     |      | Family-Owned Business |     |      |
|-------------------------------|---------------------|-----|------|-------------|-----|------|-----------------------|-----|------|
|                               | Mean                | SD  | Int. | Mean        | SD  | Int. | Mean                  | SD  | Int. |
| Marketing                     | 2.77                | .34 | C    | 2.74        | .35 | C    | 2.80                  | .34 | C    |
| Operations                    | 2.50                | .32 | SC   | 2.46        | .29 | SC   | 2.52                  | .29 | C    |
| Organizational/Human Resource | 2.30                | .27 | SC   | 2.26        | .27 | SC   | 2.29                  | .23 | SC   |
| Finance                       | 2.51                | .36 | C    | 2.52        | .33 | C    | 2.54                  | .29 | C    |

*Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.*

This suggests that issues such as hiring, training, and maintaining a qualified workforce, as well as developing effective management and leadership skills, are common concerns regardless of business structure. In contrast, financial challenges were rated “Challenging” across all organization types ( $M=2.55$ ,  $SD=.29$ ;  $M=2.52$ ,  $SD=.34$ ;  $M=2.51$ ,  $SD=.35$ ), indicating a universal struggle with financial management, including securing funding, managing cash flow, and financial planning, across different SME forms. Knowledge management is critical to firm performance, particularly in information-intensive industries. However, many SMEs are run by individuals with little or no formal education, making them ill-suited for managerial roles. Poor recordkeeping, a lack of company management expertise, and insufficient administrative skills all contribute to SME failure. Human capacity is a major priority in commercial organizations' strategic goals, and training to develop such qualities is critical

for competitiveness. According to Navarathne [24], successful business owners are typically managers. Pech and Vrchota [27] found that SMEs' classification or form affects their ability to innovate, expand operations, and improve cash flow.

#### 4.5.3. Nature of Business

Table 9 presents the business challenges faced by small and micro enterprises (SMEs) across business types. The results showed that all business types reported marketing as “Challenging” ( $M=2.65$ ,  $SD=.34$ ;  $M=2.77$ ,  $SD=.33$ ;  $M=2.80$ ,  $SD=.35$ ;  $M=2.78$ ,  $SD=.38$ ). This suggests that irrespective of the business type, marketing is a collectively problematic area, possibly due to the demands of reaching and engaging a target market effectively in a competitive setting. In the area of operations challenges, manufacturers, service businesses, and wholesalers rated it as “Somewhat Challenging” ( $M=2.44$ ,  $SD=.31$ ;  $M=2.47$ ,  $SD=.29$ ;  $M=2.50$ ,  $SD=.28$ ), respectively, whereas retailers found it “Challenging” ( $M=2.51$ ,  $SD=.31$ ). These reflect the distinctive operational complexities each type of business faces, such as supply chain management for manufacturers and wholesalers and customer service for retailers and service business providers.

**Table 9:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to nature of business

| Functional Areas                                                                                                     | 3 Years and Below |     |      | 4 to 6 Years |     |      | 7 Years and Above |     |      |
|----------------------------------------------------------------------------------------------------------------------|-------------------|-----|------|--------------|-----|------|-------------------|-----|------|
|                                                                                                                      | Mean              | SD  | Int. | Mean         | SD  | Int. | Mean              | SD  | Int. |
| Marketing                                                                                                            | 2.80              | .32 | C    | 2.75         | .36 | C    | 2.73              | .33 | C    |
| Operations                                                                                                           | 2.58              | .27 | C    | 2.47         | .29 | SC   | 2.46              | .28 | SC   |
| Organizational/Human Resource                                                                                        | 2.31              | .26 | SC   | 2.26         | .26 | SC   | 2.25              | .26 | SC   |
| Finance                                                                                                              | 2.51              | .30 | C    | 2.55         | .33 | C    | 2.47              | .35 | SC   |
| <i>Note: Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.</i> |                   |     |      |              |     |      |                   |     |      |

In the organizational/human resources area, business owners' perceptions were “Somewhat Challenging.” Specifically, wholesalers report the highest level of challenge ( $M=2.33$ ,  $SD=.26$ ), followed by retailers ( $M=2.28$ ,  $SD=.27$ ), manufacturers ( $M=2.24$ ,  $SD=.27$ ), and service providers ( $M=2.23$ ,  $SD=.22$ ). The differences may reflect the varied demands these types of businesses place on organizational structure and human resources, with wholesalers and retailers possibly facing more complex logistical and staffing challenges due to the nature of their operations. However, financial challenges were deemed “Challenging” across all business types ( $M=2.51$ ,  $SD=.34$ ;  $M=2.53$ ,  $SD=.33$ ;  $M=2.51$ ,  $SD=.32$ ;  $M=2.53$ ,  $SD=.34$ ). This indicates a common struggle among SMEs to manage finances effectively, including cash flow management, access to funding, and financial planning.

#### 4.5.4. Number of Years in Operation

Table 10 presents the business challenges faced by small and micro enterprises (SMEs) by number of years in operation. The results showed that, in the marketing area, the number of years in operation was perceived as “Challenging” ( $M=2.80$ ,  $SD=.32$ ;  $M=2.75$ ,  $SD=.36$ ;  $M=2.73$ ,  $SD=.33$ ). This suggests that small and micro enterprises (SMEs) generally face marketing issues. The trend also suggests that as businesses gain more experience and establish their brands, marketing challenges decrease slightly, though they remain a significant concern. In operations, enterprises with 3 years or less of operations were perceived as “Challenging” ( $M=2.58$ ,  $SD=.27$ ), suggesting that newer businesses may struggle more to establish efficient operational processes. However, for businesses aged 4 to 6 years and 7 years and above, business challenges were perceived as “Somewhat Challenging” ( $M=2.47$ ,  $SD=.29$ ;  $M=2.46$ ,  $SD=.28$ ), suggesting that businesses handle operational issues better as they mature. Additionally, organizational/human resource challenges also showed a slight decrease in difficulty with business age, though business owners maintained that these challenges were “Somewhat Challenging” ( $M=2.31$ ,  $SD=.26$ ;  $M=2.26$ ,  $SD=.26$ ;  $M=2.25$ ,  $SD=.26$ ).

**Table 10:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to number of years in operation

| Functional Areas                                                                                                     | Manufacturer |     |      | Retailer |     |      | Service |     |      | Wholesaler |     |      |
|----------------------------------------------------------------------------------------------------------------------|--------------|-----|------|----------|-----|------|---------|-----|------|------------|-----|------|
|                                                                                                                      | Mean         | SD  | Int. | Mean     | SD  | Int. | Mean    | SD  | Int. | Mean       | SD  | Int. |
| Marketing                                                                                                            | 2.65         | .34 | C    | 2.77     | .33 | C    | 2.80    | .35 | C    | 2.78       | .38 | C    |
| Operations                                                                                                           | 2.44         | .31 | SC   | 2.51     | .31 | C    | 2.47    | .29 | SC   | 2.50       | .28 | SC   |
| Organizational/Human Resource                                                                                        | 2.24         | .27 | SC   | 2.28     | .27 | SC   | 2.23    | .22 | SC   | 2.33       | .26 | SC   |
| Finance                                                                                                              | 2.51         | .34 | C    | 2.53     | .33 | C    | 2.51    | .32 | C    | 2.53       | .34 | C    |
| <i>Note: Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.</i> |              |     |      |          |     |      |         |     |      |            |     |      |

This gradual improvement could be attributed to better human resource management and organizational structures as businesses learn and adapt over time. Finally, the financial challenges area was perceived as “Challenging” ( $M=2.55$ ,  $SD=.33$ ;  $M=2.51$ ,  $SD=.30$ ) in both the 3 years and below and 4 to 6 years groups. However, 7 years and above reported “Somewhat Challenging” ( $M=2.47$ ,  $SD=.35$ ). This reflects a critical period in the growth of SMEs where financial management becomes increasingly complex, before gradually stabilizing as businesses establish stronger financial practices and revenue streams. Firm age and culture strongly influence growth. Recent research has emphasized the role of firm age in determining growth. Small businesses build capacity by gathering information and developing the skills needed to survive and grow. However, older organizations may grow more slowly because they cannot acquire and use new information. Fledgling firms are weaker in their early years, and their size varies with age. Small and new businesses expanded, boosting profitability. Client knowledge was positively connected with development. Production strategies, such as creating new goods and services, technological specialisation, and an emphasis on innovation, influenced growth [14].

#### 4.5.5. Number of Employees

Table 11 presents the business challenges faced by small and micro enterprises (SMEs) by employee count. The results showed that in the area of marketing, both categories with 5 or fewer employees and 6 or more employees were perceived as “Challenging” ( $M=2.75$ ,  $SD=.37$ ;  $M=2.78$ ,  $SD=.28$ ), respectively. With a slight increase in employee count, the findings suggest that as businesses grow, marketing challenges may intensify slightly, possibly due to higher market expectations and increased competition. For operations, both enterprises with 5 or fewer employees and 6 or more employees, business owners found it “Somewhat Challenging” ( $M=2.50$ ,  $SD=.31$ ;  $M=2.46$ ,  $SD=.26$ ). This indicates a nearly even perception of operational challenges across different businesses’ number of employees, suggesting that operational difficulties remain consistent regardless of an enterprise’s number of employees.

**Table 11:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to number of employees

| Functional Areas               | 5 and below |     |                      | 6 and above |     |                      |
|--------------------------------|-------------|-----|----------------------|-------------|-----|----------------------|
|                                | Mean        | SD  | Interpretation       | Mean        | SD  | Interpretation       |
| Marketing                      | 2.75        | .37 | Challenging          | 2.78        | .28 | Challenging          |
| Operations                     | 2.50        | .31 | Somewhat Challenging | 2.46        | .26 | Somewhat Challenging |
| Organizational/ Human Resource | 2.27        | .26 | Somewhat Challenging | 2.36        | .25 | Somewhat Challenging |
| Finance                        | 2.56        | .33 | Challenging          | 2.42        | .31 | Somewhat Challenging |

In the organisational/human resource area, business owners in both groups rated it as “Somewhat Challenging” ( $M=2.27$ ,  $SD=.26$ ;  $M=2.36$ ,  $SD=.25$ ). This suggests that enterprises with more employees reported slightly higher challenges, which may reflect the complexities of managing a larger workforce and associated human resource issues. Lastly, when categorized as 5 years and below, the financial challenges were rated “Challenging” ( $M=2.56$ ,  $SD=.33$ ), while when categorized as 6 years and above, they were rated “Somewhat Challenging” ( $M=2.42$ ,  $SD=.31$ ). This suggests that financial issues are more pressing for smaller enterprises, possibly due to limited access to funding and cash flow management issues. In contrast, larger entities might have better mechanisms or resources to manage financial challenges.

#### 4.5.6. Size of Business

Table 12 shows the business challenges faced by small and micro enterprises (SMEs) across different functional areas. The data revealed that both micro and small enterprises rated marketing challenges as “Challenging” ( $M = 2.74$ ,  $SD = .35$ ;  $M = 2.78$ ,  $SD = .35$ ), respectively. This suggests a shared recognition across both categories that marketing presents significant problems, possibly due to competition and challenges in customer acquisition and retention. The slightly higher score for small enterprises indicates that as businesses grow, the difficulties and challenges associated with marketing efforts also increase. In the area of operations, micro-enterprises found these challenges as “Somewhat Challenging” ( $M=2.46$ ,  $SD=.29$ ), while small enterprises rated them as “Challenging” ( $M=2.53$ ,  $SD=.31$ ).

**Table 12:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to size of business

| Functional Areas | Yes  |     |                      | No   |     |                |
|------------------|------|-----|----------------------|------|-----|----------------|
|                  | Mean | SD  | Interpretation       | Mean | SD  | Interpretation |
| Marketing        | 2.77 | .36 | Challenging          | 2.74 | .33 | Challenging    |
| Operations       | 2.48 | .30 | Somewhat Challenging | 2.51 | .29 | Challenging    |

|                                |      |     |                      |      |     |                      |
|--------------------------------|------|-----|----------------------|------|-----|----------------------|
| Organizational/ Human Resource | 2.25 | .25 | Somewhat Challenging | 2.32 | .28 | Somewhat Challenging |
| Finance                        | 2.52 | .33 | Challenging          | 2.53 | .32 | Challenging          |

This implies that operational difficulties, such as supply chain management, production, or service delivery, become more pronounced as the size of the business increases, likely due to the scaling of their operations. Moreover, in organizational and human resources, business owners perceived these challenges as “Somewhat Challenging” (M=2.29, SD=.25; M=2.26, SD=.27), with slightly higher mean scores in micro enterprises. This means that as businesses expand, the complexity of managing personnel and organizational structure increases. This suggests that formalized procedures, roles, and responsibilities may contribute to these perceived challenges, emphasizing the shift from a very small team where everyone might perform multiple roles to a slightly larger organization where role specialization and organizational policies become more critical. In contrast, business owners rated the finance area of challenges as “Challenging” in both micro and small businesses (M=2.54, SD=.34; M=2.53, SD=.32), with nearly identical mean scores. This underscores the common struggle SMEs face in managing their finances, including securing funding, managing cash flow, and planning. The similar scores across business sizes indicate that financial challenges are a significant concern for SMEs regardless of size, possibly reflecting the inherent financial vulnerabilities and pressures they face in their operations.

#### 4.5.7. Prepared Business Plan

Table 13 shows the business challenges faced by small and micro enterprises (SMEs) across different functional areas. The data revealed that both enterprises with and without a prepared business plan rated the marketing area as “Challenging” (M=2.77, SD=.36; M=2.74, SD=.33), respectively. This indicates that, even with a business plan, marketing remains a considerable challenge for enterprises, suggesting that external factors such as market competition and customer preferences may significantly affect marketing efforts. In the area of operations, enterprises with a business plan find these challenges “Somewhat Challenging” (M=2.48, SD=.30). In contrast, those without a business plan viewed them as “Challenging” (M=2.51, SD=.29). This suggests that having a business plan might provide a clearer framework or strategies for managing operational hurdles, as indicated by higher mean scores obtained by enterprises without a prepared business plan.

**Table 13:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to prepared business plan

| Functional Areas               | Micro |     |                      | Small |     |                      |
|--------------------------------|-------|-----|----------------------|-------|-----|----------------------|
|                                | Mean  | SD  | Interpretation       | Mean  | SD  | Interpretation       |
| Marketing                      | 2.74  | .35 | Challenging          | 2.78  | .35 | Challenging          |
| Operations                     | 2.46  | .29 | Somewhat Challenging | 2.53  | .31 | Challenging          |
| Organizational/ Human Resource | 2.26  | .27 | Somewhat Challenging | 2.29  | .25 | Somewhat Challenging |
| Finance                        | 2.54  | .34 | Challenging          | 2.53  | .32 | Challenging          |

Additionally, in the area of organizational/ human resources, all enterprises with or without a plan perceived them as “Somewhat Challenging” (M=2.25, SD=.25; M=2.32, SD=.28). This reflects an agreement that managing human resources poses a moderate challenge, with a slight indication that not having a plan might slightly elevate the perceived difficulty, possibly due to less structured approaches to organizational management. Finally, in the finance area, both groups rated the challenges as “Challenging” (M=2.52, SD=.33; M=2.53, SD=.32), respectively. This underscores the common challenge of financial management for small and micro enterprises, suggesting that access to funding, cash flow management, and financial planning are critical concerns that a business plan alone cannot address.

#### 4.5.8. Source of Fund

Table 14 shows the business challenges faced by small and micro enterprises (SMEs) across different functional areas. The data revealed that all sources of funding and the marketing area were perceived as “Challenging” (M=2.78, SD=.32; M=2.76, SD=.35; M=2.67, SD=.25; M=2.75, SD=.41). This suggests that marketing difficulties are prevalent and likely influenced by external market conditions rather than the type of funding.

**Table 14:** Mean and standard deviation of small and micro enterprises’ business challenges in functional areas when classified according to source of funds

| Functional Areas | Bank Loan |     |      | Personal Savings |     |      | Retained Profits |     |      | Family/Friend |     |      |
|------------------|-----------|-----|------|------------------|-----|------|------------------|-----|------|---------------|-----|------|
|                  | Mean      | SD  | Int. | Mean             | SD  | Int. | Mean             | SD  | Int. | Mean          | SD  | Int. |
| Marketing        | 2.78      | .32 | C    | 2.76             | .35 | C    | 2.67             | .25 | C    | 2.75          | .41 | C    |

|                               |      |     |    |      |     |    |      |     |    |      |     |    |
|-------------------------------|------|-----|----|------|-----|----|------|-----|----|------|-----|----|
| Operations                    | 2.45 | .27 | SC | 2.50 | .29 | SC | 2.62 | .27 | C  | 2.47 | .35 | SC |
| Organizational/Human Resource | 2.27 | .23 | SC | 2.28 | .26 | SC | 2.33 | .28 | SC | 2.22 | .29 | SC |
| Finance                       | 2.50 | .30 | SC | 2.52 | .34 | C  | 2.55 | .37 | C  | 2.55 | .34 | C  |

*Int. = Interpretation; VC=Very Challenging; C=Challenging; SC=Somewhat Challenging; NC=Not Challenging.*

The slight variance in means reflects the degree of financial flexibility and risk associated with each funding source, but the overall challenge level remains consistent. In the area of operations, business owners using bank loans, personal savings, and family/friends perceived these challenges as “Somewhat Challenging” ( $M=2.45$ ,  $SD=.27$ ;  $M=2.50$ ,  $SD=.29$ ;  $M=2.47$ ,  $SD=.35$ ), while for those operating from retained profits was “Challenging” ( $M=2.62$ ,  $SD=.27$ ). This indicates that businesses relying on retained profits may experience more operational challenges, possibly due to the reinvestment of profits into expanding the business, which can introduce difficulties and stress on operations. In the organizational/human resource area, across all funding sources, challenges were consistently rated as “Somewhat Challenging” ( $M=2.27$ ,  $SD=.23$ ;  $M=2.28$ ,  $SD=.26$ ;  $M=2.33$ ,  $SD=.28$ ;  $M=2.22$ ,  $SD=.29$ ). This suggests that human resource challenges are moderately affected by the source of funding, potentially reflecting the scale of operations and the capacity to invest in human capital management strategies. Finally, the finance area of challenges was perceived by those using Bank Loans as “Somewhat Challenging” ( $M=2.50$ ,  $SD=.30$ ) while those using sources from personal savings, retained profits and family/friends viewed them as “Challenging” ( $M=2.52$ ,  $SD=.34$ ;  $M=2.55$ ,  $SD=.37$ ;  $M=2.55$ ,  $SD=.34$ ). This indicates that businesses funded by personal savings, retained profits, or loans from family and friends face greater financial management problems, possibly due to less stringent financial oversight and planning compared to bank-financed businesses.

#### 4.6. Differences in Business Challenges Encountered by Small and Micro Enterprises (SMEs) in Functional Areas Among Profiles

The differences in business challenges across functional areas of small and micro enterprises (SMEs) were examined by location, sex, business size, number of employees, and prepared business plan, using an independent-samples t-test in Statistical Package for the Social Sciences (SPSS) version 26.0. All statistical significance was set at the .05 alpha level. Table 15 presents the t-test results for differences in business challenges across the functional areas of small and micro enterprises (SMEs). The data revealed that there were no significant differences in the business challenges faced by the small and micro enterprises (SMEs) when classified according to location,  $t(312) = .99$ ,  $p > .05$ ; sex,  $t(312) = -.27$ ,  $p > .05$ ; number of employees,  $t(312) = 1.71$ ,  $p > .05$ ; and prepared business plan,  $t(312) = 1.26$ ,  $p > .05$ . This means that the null hypothesis was accepted. The findings suggest that these factors do not play a statistically significant role in the type or intensity of challenges that SMEs face. In other words, regardless of location, leader gender, number of employees or whether the SME has a formally prepared business plan, the nature and degree of business challenges remain consistent. These findings imply that these variables are not key determinants of the challenges SMEs face in their operations, marketing, finance, or organization. However, a significant difference existed in the business challenges faced by small and micro enterprises (SMEs) when classified by business size,  $t(312) = -2.05$ ,  $p < .05$ , suggesting that the null hypothesis was rejected. This indicates that SME size significantly affects the challenges it faces. The findings also suggest that as business size increases (from micro to small), certain types of challenges may decrease or shift in nature. This may be because larger businesses have more resources, better access to financing, more established processes, or can benefit from economies of scale. In other words, business size significantly influences the challenges SMEs face. This corroborates Botha et al. [5], suggesting that business size affects the challenges small and micro enterprises encounter. Larger businesses may have different perspectives on the daily challenges faced by small and micro-sized enterprises (SMMEs) than smaller businesses do.

**Table 15:** T-test results of the differences in the business challenges of SMEs classified according to identified variables

| Variables              | T-Value | DF  | Sig. | Decision     | Interpretation  |
|------------------------|---------|-----|------|--------------|-----------------|
| Location               | .99     | 312 | .325 | Accept $H_0$ | Not Significant |
| Sex                    | -.27    | 312 | .791 | Reject $H_0$ | Not Significant |
| Size of Business       | -2.05*  | 312 | .041 | Accept $H_0$ | Significant     |
| Number of Employees    | 1.71    | 312 | .089 | Accept $H_0$ | Not Significant |
| Prepared Business Plan | 1.26    | 312 | .211 | Accept $H_0$ | Not Significant |

$p^* < .05$

The differences in the business challenges in functional areas of small and micro enterprises (SMEs) when classified according to age, highest educational attainment, form of organization, nature of business, number of years in operation, and source of funds were obtained using the One-way Analysis of Variance (One-Way ANOVA) through the Statistical Package for the Social Sciences (SPSS) software version 26.0. All statistical significance was set at the .05 alpha level. Table 16 presents the ANOVA results for differences in business challenges across the functional areas of small and micro enterprises (SMEs). The data revealed that there were no significant differences in the business challenges faced by SMEs when classified according to

age,  $F(2,311) = .41$ ,  $p > .05$ ; highest educational attainment,  $F(2,311) = 1.19$ ,  $p > .05$ ; form of organization,  $F(2,311) = .508$ ,  $p > .05$ ; nature of business,  $F(2,311) = 2.57$ ,  $p > .05$ ; and source of fund,  $F(3,310) = .958$ ,  $p > .05$ , indicating that the null hypotheses were accepted. This implies homogeneity in perceived challenges across these variables, suggesting that factors such as the entrepreneur's age, level of education, business organization, sector and financing do not significantly determine the challenges they perceive.

**Table 16:** ANOVA results of the differences in the business challenges in functional areas of SMEs classified according to identified variables

| Variables                      |                | Sum of Squares | Mean of Squares | DF  | F    | Sig. | Decision  | Interpretation  |
|--------------------------------|----------------|----------------|-----------------|-----|------|------|-----------|-----------------|
| Age                            | Between Groups | .02            | .011            | 2   | .41  | .664 | Accept Ho | Not Significant |
|                                | Within Groups  | 8.11           | .026            | 311 |      |      |           |                 |
|                                | Total          | 8.13           |                 | 313 |      |      |           |                 |
| Highest Educational Attainment | Between Groups | .06            | .031            | 2   | 1.19 | .306 | Accept Ho | Not Significant |
|                                | Within Groups  | 8.07           | .026            | 311 |      |      |           |                 |
|                                | Total          | 8.13           |                 | 313 |      |      |           |                 |
| Form of Organization           | Between Groups | .026           | .013            | 2   | .508 | .602 | Accept Ho | Not Significant |
|                                | Within Groups  | 8.11           | .026            | 311 |      |      |           |                 |
|                                | Total          | 8.13           |                 | 313 |      |      |           |                 |
| Nature of Business             | Between Groups | .20            | .066            | 2   | 2.57 | .055 | Accept Ho | Not Significant |
|                                | Within Groups  | 7.94           | .026            | 311 |      |      |           |                 |
|                                | Total          | 8.14           |                 | 313 |      |      |           |                 |
| Years in Operation             | Between Groups | .18            | .088            | 2   | 3.44 | .033 | Reject Ho | Significant     |
|                                | Within Groups  | 7.96           | .026            | 311 |      |      |           |                 |
|                                | Total          | 8.14           |                 | 313 |      |      |           |                 |
| Source of Fund                 | Between Groups | .08            | .025            | 3   | .958 | .413 | Accept Ho | Not Significant |
|                                | Within Groups  | 8.06           | .026            | 310 |      |      |           |                 |
|                                | Total          | 8.14           |                 | 314 |      |      |           |                 |

In other words, the perceived challenges are the same and independent of the categories of the above-mentioned variables to which the business owners belong. However, a significant difference was found when classified by years in operation,  $F(2, 311) = 3.44$ ,  $p < .05$ , indicating that the null hypothesis was rejected. This implies that the length of time a business has been in operation affects the challenges it faces. Newer businesses may face different challenges than those that have been operating longer, possibly due to evolving business competencies, market integration, and operational stability; in other words, years in operation influenced the challenges SMEs faced. The results aligned with those of McCarthy and Perreault [22], suggesting that small-scale entrepreneurs faced more obstacles in accessing business support services than their medium-scale counterparts. Phokwane and Makhitha [28] confirmed that demographic variables, such as duration of business operation, training, and annual revenue, influence the marketing communication tactics SMEs employ. SMEs' choice of marketing communication strategies varies with their length of operation.

## 5. Conclusion

Based on the findings of this study, the following conclusions were drawn:

- Micro and small-scale entrepreneurs in Antique province are characterized by a balanced physical spread and are dominated by women and middle-aged business owners. This suggests a need for more business education and sector-specific support, since most have only high school education and engage mainly in trade activities. The presence of sole proprietorships and micro businesses further underscores the need for such support systems, including financial literacy programs, given the over-reliance on savings or bank loans. Consequently, these suggest the need for intervention programs designed to foster the sustainable growth and development of local SME sectors, with special attention to the specific needs of their gender demographics.
- Micro and small enterprises faced moderate to significant challenges, particularly in marketing, operational efficiency and financial management. Marketing was the most challenging area, indicating a need for stronger marketing strategies and knowledge. Operational challenges also point to the need for better facilities and equipment, while financial difficulties highlight issues with financial literacy and access to capital. These findings suggest that targeted support for marketing and operational improvements, as well as financial management, could significantly support these enterprises' growth and sustainability.
- The common challenge in marketing is that businesses struggle to reach customers and distinguish themselves in competitive markets, with various factors, especially owners' and business characteristics, playing a role. This may stem from limited knowledge of marketing strategies, digital marketing tools or the resources needed to invest in marketing effectively. Financial challenges across these enterprises reveal concerns about financial literacy, including cash flow management, access to funding and the difficulty of financial planning and record-keeping.
- Small and micro-sized enterprises (SMEs) face comparable challenges in daily operations, marketing, financial management, and overall organizational management. These challenges persist regardless of factors such as where businesses are geographically located, how many employees they have, or whether they have a formal business plan in place. However, business size plays a significant role in shaping the challenges they encounter. Larger SMEs tend to face milder difficulties or shifts, as they benefit from better resources, greater access to funding, and greater operational capacity.
- Challenges across the four functions depend more on factors such as the overall business environment, the specific industry the business operates in, and business size. As a business grows from micro to small, it gains access to resources, financing, and established processes, reducing or shifting the types of challenges it faces. Additionally, regardless of common traits like owner background, structure, or funding, SMEs generally face similar core challenges. This suggests that one-size-fits-all support programs may be effective, as the challenges themselves do not depend on these specific factors. However, the length of operation is a distinguishing factor, suggesting that younger businesses might benefit from solutions that address their specific challenges in the early stages of growth.

## 5.1. Recommendations

Based on the conclusions drawn from this study, the following recommendations were forwarded:

- Business owners in Antique should prioritise business education and financial literacy programs focused on marketing, innovation, and pricing. To improve competitiveness and sustainability, businesses should adopt technology, adapt to market changes, and collaborate with peers and financial institutions to expand access to financing.
- Business owners should prioritise improving marketing strategies, upgrading operations, and strengthening financial literacy. By focusing on these areas, businesses can promote growth and sustainability while addressing major challenges in marketing and financial management.
- Collaboration between business owners and local government units (LGUs) could focus on establishing business development centers that offer training in digital marketing, financial literacy, and management skills. These centers could also host networking events and support company alliances for joint marketing initiatives and bulk purchasing to cut costs. Furthermore, local government units (LGUs) can partner with financial institutions to develop funding alternatives for small enterprises, such as grants and low-interest loans.
- Collaboration between business owners and LGUs should focus on creating support programs that strengthen operational, financial, and marketing skills, particularly for smaller businesses. Examples include financial planning assistance, digital marketing courses, and easier access to financing. In addition to creating a friendly business environment that encourages long-term growth, these collaborations must provide SMEs with the resources and expertise they need to prosper.
- Business owners and local government units (LGUs) should create targeted support initiatives to address common SME issues and provide tailored advice to startups. Comprehensive training in marketing and financial management, streamlined procedures to improve operational efficiency, and resource pooling to improve access to funding are all important initiatives. These partnerships, which prioritise the growth of early-stage companies, can greatly reduce shared challenges and foster a more robust and successful SME sector.

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