

Investment Management Perspective of Micro-Enterprises

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Abstract: Investment management perspective of micro-enterprises in Batangas province were the main focused of the study using descriptive statistics. Based on the analysis, respondents were 51-60 years old, female, undergraduate, and below five years in the business. Moreover, respondents have below five employees, five years in operation, and less than Php5, 000.00 capital. In assessing the investment management perspective of micro-enterprises, respondents agree that risk and rate of return, working capital management, financial forecasting, and financial environment affect financial planning. There is also a significant relationship between the profiles of the respondents with the factors of investment management perspective. Researchers found out that risky products or services related to the business should be monitored, the liability for short-term debt financing should be decreased, owners of micro-enterprises must maximize working capital, there should be a plan for the expenditures on fixed assets, and micro-enterprises' owners should determine the prevailing interest rates.

Keywords: financial planning, forecasting, investment perspective, micro-enterprise, working capital management

1. Introduction

Microenterprises contribute meaningfully to the growth of the economy, social equity and stability. This sector uplifts and nurture less privilege income people against poverty [1]. According to USAID microenterprise programs increase the lives of the very poor, helping them to: recover from shocks such as a flood or death in the family [2].

In the Philippines, challenges were faced to achieve domestically-generated and workable trade and industry growth. Present levels of investment are inadequate for the Philippines to achieve the kind of robust, long-term growth needed to have jobs and reduce poverty. That why, the objective of investment management is to ensure that the capital saved by households is deployed in the most efficient manner and yields the maximum risk-adjusted return [3]. It stands to be formal process of securities like bonds and equities and fixed assets. The amenities offered under investment management are basically required by the investors, which may be individuals, bank, companies, and insurance firms with the objective of fulfilling the concerned financial requirements.

Thus, for Filipinos micro-enterprise adds value to a country's economy by creating jobs, enhancing income, strengthening purchasing power, lowering costs and adding business convenience to its clients [4]. Micro-enterprises serve a vital purpose in cultivating the quality of life for people in the Philippines.

In this sense a financial plan can give yearly projection of income and expenses. It can also be a stimulation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company [5].

With these concepts in mind, the researcher decided to conduct an investment management perspective of micro-enterprises. The financial management understanding and background of the researchers in businesses led them to an idea vital to analyze investments. Hopefully, the result of the study will serve as inputs to financial planning to improve

the mechanics of investment management of micro-enterprises.

2. Objectives

The study assessed the investment management of micro-enterprises as a sustainability input.

Specifically, it aims:

1. To know the profile of the respondent in terms of age, gender, educational attainment, and years of service.
2. To verify the characteristics of micro-enterprises affects the investment management perspective in terms of nature of business, number of employees, length of existence, and business capital.
3. To assess investment management perspective of micro-enterprises with regards to risk and rate of return, working capital management, financial forecasting, and financial environment.
4. To analyze the significant relationship between assessments of the respondents on the factors of investment management perspective to profile variables.
5. To analyze the significant differences between the assessments of respondents on the factors of investment management perspective to profile variable
6. To propose financial planning for micro-enterprise.

3. Methodology

The study used the descriptive method in assessing the investment management perspective of micro-enterprises. A survey method was used in gathering data about the characteristics and identified problems of investment management perspective. The subjects of the study were the 250 owners of micro-enterprises. A validated survey questionnaire was utilized as the main data gathering instrument of the study. The study further used percentage and rank to determine the profile variable of the respondents; mean to assess the respondent's investment management perspective of micro-enterprises, and Pearson's r and t-test were used to determine the relationship and difference of

profile and the factors of investment perspective, respectively.

4. Results and Discussions

4.1 Profile of the Respondents

The profile of the respondents was analysed in terms of gender, age, educational attainment, position, and number of years in service.

In terms of age, there were 51 – 60 years old got the highest percentile of 33.33 percent. The respondents noted that most of them were on the matured age and they want to have a business as part of their pensions or as a form of hobby.

For gender, majority or 66.67 percent were females and 33.33 were males. Women-owned businesses make up one of the fastest growing segments of microenterprise.

The respondents' educational attainment revealed twenty percent were high school graduates/college undergraduate/college graduate. The respondents noted that most of them didn't finished their studies due to financial problem.

In terms of years of services, the respondents assessed that they were in the business for 5 years and below. Most of the respondents noted that they are still young in the business and trying to make a profitable one.

4.2 Characteristics of Micro-enterprises

The characteristics of respondents were evaluated with regards to nature of business, number of employees, length of existence, and business capital.

For the nature of business, sari- sari store, tailoring shop, eatery and bakery have were sampled equally to 20 percent.

In terms of the number of employees, 5 and below number of employees obtained 80 percent of the total respondents.

On the other hand, length of existence of micro-enterprises were 5 years and below evident at 40 percent.

For business capital, P50, 000 and below were assessed by the respondents and earned 66.67 percent of the total sample.

4.3 Assessment of Respondents on Investment Management Perspective of Micro-enterprises.

The micro enterprise owners assessed the investment management perspective in terms of risk and rate of return, working capital management, financial forecasting, and financial environment. The respondents' investment management perspective with respect to the risk and rate of return was presented in Table 1.

Table 1: Assessment of Respondents on Risk and Rate of Return of Micro-enterprises

Items	Mean	Verbal Interpretation
1. Maintain a balance between assets and liabilities.	3.61	Strongly Agree
2. Add product and services to gain additional profit.	3.40	Agree
3. Invest/Save a net portion of the income for further investment.	3.60	Strongly Agree
4. Monitor risky product or services related to the business.	3.27	Agree
5. Plan for possible increase	3.60	Strongly Agree

in rate of return as part of the business goal.		
Composite Mean	3.49	Agree

Most of the owners strongly agree that maintaining a balance between assets and liabilities; investing and saving money for further investments and planning for possible rise in the rate of return are very important concerns to be handled in terms of risk tolerance. The composite means of 3.49 indicates that majority of the owner-respondents agree on the items pertaining to risk tolerance, meaning to say that they are very much aware of the possibilities of the consequences of their decisions.

This affirms that to avoid risk tolerance, investors should consider financial planning as this involves an analysis the possible future events and how these events impact the firms [6]. The financial plan thus involves forecasting of possible state or business' nature; evaluating the effects of this or that state on the firm; and analyzing the options and strategies to be considered by management in response to forecasted states. Thus, the financial plan's end goal is basically to generate pro forms of financial statements, an income statement, a balance sheet, changes in financial positions and budget. The plan must be stochastic in nature rather than too deterministic. It should show a continuous process until a new information becomes readily available. Finally, the plan should be associated to the ex post results of facts as means to evaluate performance narrative to stated goals [7].

The respondents' investment management perspective with respect of the working capital management in micro-enterprises was presented in Table 2. It can be seen in the table that examine inventory levels to raise the capital needed to carry inventory and profitability of the business has the highest weighted mean of 3.53 with verbal interpretation of strongly agree.

Table 2: Assessment of Respondents on Working Capital Management of Micro-enterprises

Items	Mean	Verbal Interpretation
1. Assess credit management based on legal considerations and profit potential.	3.47	Agree
2. Examine inventory levels to raise the capital needed to carry inventory and profitability of the business.	3.53	Strongly Agree
3. Minimize that amount of cash the firms must hold for use in conducting normal business activities.	2.53	Agree
4. Decrease the liability for short-term financing and obtain faster and more flexible financing terms.	2.07	Disagree
5. Maximize working capital to ensure possible investors or investment opportunities.	3.20	Agree
Composite Mean	2.96	Agree

Assess credit management based on legal considerations and profit potential with 3.47 mean; minimize that amount of cash the firms must hold for use in conducting normal business activities with 2.53 mean; and maximize working capital to ensure possible investors or investment opportunities has verbal interpretation of agree. While decrease the liability for short-term financing and obtain faster and more flexible financing terms has the lowest mean of 2.07 with verbal interpretation of disagree. The respondents noted and also affirm the idea that most of them used short-term financing to obtain funds or capital [8]. That is the same reason why they disagree in reducing short-term financing.

The respondents' investment management perspective to financial forecasting was shown in Table 3.

Based on the table, respondents strongly agree that forecast the business' sales for the future and implement financial control and financing decisions if problem exists both having mean of 3.76. With 3.47 mean, respondents agree that plan expenditures on fixed assets to enhance capital budgeting techniques were important to micro-enterprises. The composite mean of 3.57 suggests that respondents strongly agree to financial forecasting.

Table 3: Assessment of Respondents on Financial Forecasting of Micro-enterprises

Items	Mean	Verbal Interpretation
1. Forecast the business' sales for some future period of time.	3.67	Strongly Agree
2. Implement financial control and financing decisions if problem exists.	3.67	Strongly Agree
3. Monitor the receivables and payables of the business to analyze the financial status of the business.	3.53	Strongly Agree
4. Establish a target balance sheet and cash flow on the basis of profit-ratio analysis.	3.53	Strongly Agree
5. Plan expenditures on fixed assets to enhance capital budgeting techniques.	3.47	Agree
Composite Mean	3.57	Strongly Agree

As respondents noted, financial planning is most important to the success of any business operation. Every decision made when running a business enterprise to a certain extent has a bearing on its financial status. Deliberate planning lessens the possibility of financial difficulties, which could have developed because of failure to take preventive action to avoid them or to oversee opportunities towards increasing the profit and its financial strengths [9].

Table 4 presents the appraisal of the respondents regarding to their investment management perspective with respect to financial environment.

Table 4: Assessment of Respondents on Financial Environment of Micro-enterprises

Items	Mean	Verbal Interpretation
1. Pay taxes and ensure a stream of after-tax cash flows to know the value of the asset.	3.40	Agree
2. Determine the prevailing interest rates in case of lending and investment options.	3.27	Agree
3. Deal with a competitive pricing strategy that will increase the number of loyal customers.	3.47	Agree
4. Include an idea to go to financial markets to support the financial capability of the business.	3.47	Agree
5. Establish good relationship with financial institutions (banks) for success of the business.	3.40	Agree
Composite Mean	3.40	Agree

Based on the findings, Franzoi (2003) noted that it is an obligation of the owner to pay taxes, determine interest rates, know the market, have loyal customer, and have a bank [10]. Failure to maintain these responsibilities will mean problems to the business in terms of operation, development, and success [11].

4.4 Relationship of the Assessment of Respondents on the Factors of Investment Management Perspective to Profile Variables

The assessment of respondents for factors related to investment management perspective to profile variables were analyze in terms of Pearson's r correlation. Table 5 to 8 presents the relationship of the assessment of respondents on the factors of investment management perspective to profile variables.

Table 5: Relationship of the Assessment of Respondents on the Factors of Investment Management Perspective to Gender

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	2.401	0.038	Reject	Significant
Working capital	3.371	0.023	Reject	Significant
Financial forecasting	2.209	0.015	Reject	Significant
Financial environment	2.390	0.040	Reject	Significant

Table 6: Relationship of the Assessment of Respondents on the Factors of Investment Management Perspective to Age

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	2.105	0.011	Reject	Significant
Working capital	5.141	0.016	Reject	Significant
Financial forecasting	2.121	0.017	Reject	Significant
Financial environment	3.412	0.027	Reject	Significant

Table 7: Relationship of the Assessment of Respondents on the Factors of Investment Management Perspective to Educational Attainment

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	2.301	0.026	Reject	Significant
Working capital	7.229	0.011	Reject	Significant
Financial forecasting	2.382	0.010	Reject	Significant
Financial environment	5.038	0.042	Reject	Significant

Table 8: Relationship of the Assessment of Respondents on the Factors of Investment Management Perspective to Year of Service

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	3.374	0.019	Reject	Significant
Working capital	5.086	0.010	Reject	Significant
Financial forecasting	8.351	0.049	Reject	Significant
Financial environment	4.377	0.020	Reject	Significant

It can be gleaned from the table that the p-values ranging from 2.105 to 8.351 and sig. (2-tailed) 0.010 to 0.049 for the factors of investment management perspective (risk and rate of return, working capital, financial forecasting, and financial environment) to profile variables (gender, age, educational attainment, and year of service) is less than .05 level of significance, thus the null hypothesis is rejected. Therefore, factors of investment management perspective has a significant relationship to profile variable.

These results imply that as the owner-respondents increase in age, their view on investment management likewise increases. Hence, they really keep a record of everything as most of them want to end up successful in their microenterprise venture [12].

Moreover, there is a significant relationship between the respondents' assessment and their gender means that the owner-respondents' gender, is affected by their investment management perspectives in terms of risk and rate of return, financial capital, and financial environment and working capital [13].

Consequently, the significant relationship between the respondents' assessment and their educational attainment revealed that the owner-respondents' educational attainment, is affected by their investment management perspectives in

terms of risk and rate of return, financial capital, and financial environment and working capital [14].

Lastly, the significant relationship between the respondents' assessment and their years of service suggests that there is a significant relationship between assessments of the respondents on the factors of investment management perspective to years of services. [15]

4.5 Difference of the Assessment of Respondents on the Factors of Investment Management Perspective to Profile Variables

The difference of the assessment of respondents in terms of risk and rate of return, working capital, financial forecasting, and financial environment to profile variable was determined using t-test for independent variable.

Table 9 to 12 presents the differences between the assessments of respondents on the factors of investment management perspective to profile variable.

Investment management perspective in terms of risk and rate of return, working capital management, financial forecasting, and financial environment when paired to gender have p-values ranging from 1.593 to 2.493 and the significant (2-tailed) ranging from 0.138 to 0.455 is greater than the .05 level of significance. The abovementioned findings accepted the null hypothesis and as a result, there is no significant difference between the responses of the respondents to profile variable.

Table 9: Differences between the Assessments of Respondents on the Factors of Investment Management Perspective to Gender

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	2.493	0.138	Failed to Reject	Not Significant
Working capital	2.079	0.173	Failed to Reject	Not Significant
Financial forecasting	1.593	0.455	Failed to Reject	Not Significant
Financial environment	2.337	0.150	Failed to Reject	Not Significant

On the other hand, based on table 10 p-values ranging from 0.511 to 3.083 and sig. (2-tailed) from 0.080 to 0.802 is greater than .05 level of significance. Thus, the null hypothesis is accepted and suggests that there is no significant difference between the assessment of respondents on the factors of investment management perspective to age.

Table 10: Differences between the Assessments of Respondents on the Factors of Investment Management Perspective to Age

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	1.059	0.471	Failed to Reject	Not Significant
Working capital	3.083	0.080	Failed to Reject	Not Significant
Financial forecasting	0.511	0.802	Failed to Reject	Not Significant
Financial environment	0.983	0.509	Failed to Reject	Not Significant

Moreover, the obtained computed p-value ranging from 0.221 to 0.875 and sig. (2-tailed) ranging from 0.534 to 0.945, were also greater than .05 level of significance. In this

sense, the null hypothesis of no significant difference is accepted in terms of educational attainment.

Table 11: Differences between the Assessments of Respondents on the Factors of Investment Management Perspective to Educational Attainment

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	0.875	0.534	Failed to Reject	Not Significant
Working capital	0.221	0.945	Failed to Reject	Not Significant
Financial forecasting	0.744	0.610	Failed to Reject	Not Significant
Financial environment	0.530	0.749	Failed to Reject	Not Significant

Lastly, with regards to years of service, factors namely risk and rate of return, working capital management, financial forecasting, and financial environment have obtained computed p-value of 0.436 to 0.719 and sig. (2-tailed) of 0.626 to 0.813 which were greater than .05 level of significance with and suggest the acceptance of the null hypothesis. Thus, there is no significant different between the assessment of respondents on the factors of investment management perspective to years of service.

Table 12: Differences between the Assessments of Respondents on the Factors of Investment Management Perspective to Years of Service

Variables	p-value	Sig. (2-tailed)	Decision H_0	Interpretation
Risk and rate of return	0.588	0.710	Failed to Reject	Not Significant
Working capital	0.719	0.626	Failed to Reject	Not Significant
Financial forecasting	0.436	0.813	Failed to Reject	Not Significant
Financial environment	0.513	0.760	Failed to Reject	Not Significant

The abovementioned results showed that age, gender, educational attainment, and years of service with regards to the factors of investment management perspective were viewed by the respondents similarly. They have the same perception of how these factors will affect their investment management perspective [16]. Moreover, the respondents noted that their profile is very important in attaining success for their business. A businessman should be prepared for challenges and accept the responsibilities for the business. Any achievement and failure will lie on the hands of the owner or proprietor [17].

4.6 Proposed Input to Financial Planning of Micro-enterprise

The proposed input to financial planning of micro-enterprise will help sustain the viability and enhance investment management.

I. Risky Product Monitoring

- Less risk on investment and enhancement in return.
- Ascertaining investor's financial goals and providing a plan for achieving his goals.
- Identify investment opportunities.
- Provides direction to investors.
- Establishes goals and standards used in controlling.

II. Decreasing Short-term Debt Financing

- Lessens possibilities of financial difficulties.
- Increase of rate of return.
- Facilitates low of information to improve investments.
- Generate pro forms of financial statements, balance sheet, budget changes and cash flow.
- Evaluates the effects of possible states on the firm.

III. Fixed Assets Expenditures Planning

- Reduces uncertainty and develops most effective responses to it.
- Minimizes waste and redundancy.
- Reduces the risk of competition through diversification of investment.
- Enables management or investor to consider options for responding to anticipated events.

IV. Prevailing Interest Rate Determination

- Less rate of return depending on the prevailing interest.
- Develops insights on where and how much should be allotted for the investment.
- An annual projection of income and expenses monitored to raise the income.
- Identifies investment opportunities suited to the interest rate.

5. Conclusions

Based on the findings of the study, the researcher drawn the following conclusions:

1. The respondents were female, age 56-60 years old, either high school, college undergraduate or college graduate, and less than five years in the business.
2. Micro-enterprise were sari-sari store, tailoring shop, repair shop, eatery and bakery have less than five employees, operating in less than five years, with less than P50, 000 capital.
3. The respondents agree that risk and rate of return, working capital management, financial planning, and financial environment were factor of investment management perspectives of micro-enterprises.
4. There is a significant relationship between assessments of the respondents on the factors of investment management perspective to profile variables.
5. There is no significant differences between the assessments of respondents on the factors of investment management perspective to profile variable
6. The proposed input to financial planning includes risky products' monitoring, decreasing short term debt financing, fixed assets expenditures planning and prevailing interest rate determination.

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