

***Empowering Rural Communities through Small and Medium Enterprises (Smes) in Samar Island, Philippines***

Asterio T. Miranda, Jr., Keimyung University, South Korea  
Juneth Lourdes F. Miranda, Keimyung University, South Korea

The Asian Conference on Society, Education & Technology 2015  
Official Conference Proceedings

**Abstract**

The study sought to determine the level of empowerment of rural communities through Small and Medium Enterprises (SMEs) in Samar Island, Philippines. It described the rural community profile, to find out whether or not they influenced the emergence and growth of the SMEs in the area. It determined the status and conditions of the SMEs, the level of empowerment of rural communities with SMEs, and the degree of relatedness of economic, socio-cultural, demographic, bio-physical, and politico-legal factors, and organizational variables to the level of empowerment of rural communities with SMEs. It also identified the problems that hindered the rural communities from achieving a high level of empowerment; and pointed out the reasons for the SMEs survival and growth over the years.

This descriptive survey utilized structured survey questionnaires, personal interviews and dialogues with the respondents. It was conducted in 12 municipalities in the three provinces of Samar Island, involving 256 respondents from 18 randomly selected rural communities with SMEs.

The findings showed that while the socio-cultural, demographic, bio-physical and politico-legal factors influenced the emergence and growth of SMEs, the economic factors influenced them the most.

The organizational variables of the SMEs such as the membership and ownership structure, leadership, policies, systems and procedures, resource mobilization, linkages and networking, communication systems, and awards and recognition were rated “good”, and found significantly related to the level of empowerment of rural communities as regards material, perceptual and relational changes.

Keywords: Empowerment, Small and Medium Enterprises, rural communities,

**iafor**

The International Academic Forum  
[www.iafor.org](http://www.iafor.org)

## **Introduction**

In rural communities, business establishments like the small and medium enterprises (SMEs) can be a source of power. SMEs have the capacities and capabilities to generate employment and income that can provide people fair chances of accessing, owning and controlling resources. Through employment and income that SMEs can provide, people get opportunities of availing improved services on health, nutrition, and education and further maximize their potential towards availing

1

Associate Professor, Department of Taxation, College of Business Administration, Keimyung University, Republic of Korea

2

Associate Professor, Keimyung Adams College, Keimyung University, Republic of Korea

better facilities on housing, water and power supply. SMEs in rural communities emerge and grow when the needed support mechanisms conducive to business operations are in place. Trade policies for example, should encourage investors to establish, develop and expand their businesses. Other factors that may prove beneficial to the emergence of SMEs such as the presence of credit institutions with good lending packages, the technical intervention and support from government and private sectors such as capability building and skills enhancement programs to equip and capacitate the management and staff of the SMEs on the intricacies of business management.

## **Objectives**

The study is designed to determine the level of empowerment of rural communities through the SMEs in the Samar Island, Philippines as determined by the changes in the material, perceptual and relational aspects of their rural life. It described the rural community profile in terms of economic, socio-cultural, demographic, bio-physical and politico-legal factors and find out whether or not they influence the emergence and growth of the SMEs in the area. The status and conditions of the SMEs in terms of membership and ownership structure, leadership, policies, systems and procedures, resource mobilization, linkages and networking, communication systems, and awards and recognition were also determined.

The level of empowerment of rural communities with SMEs was looked into in terms of material change, perceptual change, and relational change.

The degree of relatedness of economic, socio-cultural, demographic, bio-physical and politico-legal factors, and organizational variables to the level of empowerment of rural communities with SMEs was sought.

Common problems that hindered rural communities with SMEs from achieving high level of empowerment as well as the reasons for the SMEs survival and growth over the years were determined.

## **Methodology**

This study is a descriptive survey, which utilized an interview schedule and structured survey questionnaire as the main sources of data. It employed a multi-stage sampling procedure.

Based on the target, 18 or 100 percent of the SMEs participated in the study involving 256, out of 270 respondents which constituted 94.81 percent.

To determine whether the community profile influence or not the emergence and growth of the SMEs, a structured survey questionnaire was utilized.

There were personal interviews conducted with the management and staff to establish the profile of the community organization. Their responses were validated from the available documents such as minutes of meeting, policy manuals, financial reports and other pertinent records of the organizations. To rate the status and conditions of the SMEs in terms of membership and ownership structure, leadership, policies, systems and procedures, resource mobilization, financial resources, linkages and networking, communication system and awards and recognition, a rating scale of 1-4 was used, in ascending order.

The survey instrument was translated into Samaron purposely to elicit the desired data for the study. The translated version of the survey instrument was pre-tested in the three (3) rural communities with reported existing SMEs in Northern Samar involving 43 respondents. Pre-testing allowed certain revisions of some items in the instrument before they were used in the actual survey.

Owing to the relatively large number of respondents covered in this study, the researcher hired the services of nine (9) enumerators who were trained on how the instruments are administered.

To show the extent of agreement or disagreement of the respondents on the different items used by the researcher to measure the empowerment levels of the rural communities, a set of structured questionnaire was utilized.

The empowerment levels of rural communities in terms of the changes in the material, perceptual and relational aspects were evaluated using the scale of 1-Disagree to 4-strongly agree.

## **Findings**

### **Rural Community Profile**

*Economic factors.* The highest monthly income derived by the richest households in the 18 rural communities in Samar Island, comes from Northern Samar (mean of Php.55,000.00), while the lowest is generated by households coming from Samar (mean of Php 41,230.00). For the whole island of Samar, it revealed that an average of Php 45,970 represents the highest monthly income derived by the richest households. The average income of poorest household on the other hand, is Php 1,590 per month, which is short of 80.18 percent in order to meet the poverty threshold level of Php 8,022 income per month.

As to the overall picture of the 18 rural communities in Samar Island more than one half are living below the poverty threshold level.

The majority of the 18 rural communities engaged in commodity trading; while others concentrated on copra production and marketing, palay/rice production, and livestock and poultry production. The operating capital of most of these industries and enterprises operating in the rural community are partially provided by the owners plus their outside borrowings.

The major sources of capital for business operations available in the rural communities are banks, private creditors, and cooperatives. Other sources identified are government agencies, NGOs and other development institutions, and pawnshops. These financing institutions gave preference to small business owners, teachers and employees, tricycle and pedi-cab drivers as their beneficiaries whose average amount of loan entitlement mostly ranged from P5000 to P10,000 at a monthly interest rate of 5 percent, and a maximum term of 6 months.

***Socio-cultural factors.*** All of the 18 rural communities conduct activities such as fiesta celebration and health immunization campaigns. The majority conduct CIVAC. Other community activities include barangay consultation/meetings, launching of community programs and projects and fund raising activities. Parents and Teachers Associations, Youth organizations, and BHW associations exist in all of the 18 rural communities; primary cooperatives in 14 rural communities; civic and religious organizations; and associations of farmers and fisherfolks, drivers and vendors.

Most of the rural communities have barangay health centers manned by the BHWs. Colds ranked number one among the reported illnesses during the last 6 months followed by fever and flu, coughs and other illnesses like diarrhea, amoebiasis, chest pains/TB, dengue, schistosomiasis, and pneumonia.

The majority of the rural communities have day care centers utilized as preparatory schools, and elementary schools, 50 percent have high schools and only 16.67 percent have vocational schools established in the community.

Out of the total 4,914 households from 18 rural communities, 48.78 percent have dwelling units made of wood/nipa; 31.89 percent have concrete dwelling units; and about 19.37 percent have barong-barong type of dwelling units.

***Demographic factors.*** On the average, the majority of the total estimated percentage distribution of the population of the 18 rural communities are Catholics, and about 50.97 percent are males and 49.03 percent are female. The average household size is 5 and the average population per rural community is 1,413 with 720 male.

***Bio-physical factors.*** The total estimated land area of the 18 rural communities is 7,925.20 hectares, of which 49.17 percent are planted mostly to vegetables, palay, coconut, root crops and fruit bearing trees. The majority of the rural communities have concrete roads and most of them have shallow wells for their supply of water. All of the 18 rural communities have access to electricity provided by the electric cooperatives operating in the 3 provinces of Samar Island. As to the presence of recreation facilities, 77.78 percent have public plaza; sports facilities; and beaches where the residents hold their picnics or parties usually during weekends.

**Politico-legal factors.** The majority of the rural communities have 11 barangay officials, Out of the total 188 barangay officials from the 18 rural communities, 52.13 percent are female, and 47.87 percent are males, an indication that more women were elected into office than men during the last barangay elections. In terms of policies and ordinances passed, most of them were on tax collection, cleanliness and safety of the community.

### **The Influence of Community Variables on the Emergence and Growth of SMEs**

Community variables influenced the emergence and growth of SMEs in the rural communities. While the economic factors had strong influence, the socio-cultural, demographic, bio-physical, and politico-legal factors influenced the emergence and growth of SMEs in the rural communities.

The result implies that SMEs emerge and grow in rural communities: where people have visible means of income, sources of financing are accessible and industries are concentrated. They are also in a socio-cultural environment where people in the community organize among themselves regardless of their religious affiliation, spearheading activities that will redound to the benefit of the whole community and consequently promoting closer ties among them. Household population and household size of every family and the age range of population are basis in determining the type of enterprise to engage in, and in determining the size and volume of business transactions where road network, water supply and recreation facilities are present and easily accessible; where political leaders have good relations with the community residents and are supportive of enterprise development efforts, are manifested by the kind of policies and ordinances passed by the leaders SMEs are bound to develop.

**Table 1. Perception on the influence of community variables in the emergence and growth of SMES**

| VARIABLES                 | MEAN SCORE               |                             |                                     |                  | VALUE    |
|---------------------------|--------------------------|-----------------------------|-------------------------------------|------------------|----------|
|                           | Management staff<br>n=87 | Community Household<br>n=84 | Institution Representatives<br>n=85 | OVER-ALL<br>MEAN |          |
| Economic                  | 2.35                     | 2.49                        | 2.55                                | 2.46             | SI       |
| Socio-cultural            | 2.03                     | 2.13                        | 2.12                                | 2.10             | I        |
| Demographic               | 2.00                     | 2.11                        | 2.18                                | 2.09             | I        |
| Bio-physical              | 2.33                     | 2.24                        | 2.37                                | 2.31             | I        |
| Politico-legal            | 2.25                     | 2.43                        | 2.30                                | 2.33             | I        |
| <b>Overall Mean Score</b> | <b>2.19</b>              | <b>2.28</b>                 | <b>2.30</b>                         | <b>2.26</b>      | <b>I</b> |
| Legend:                   | 1:00 -                   | 1.66                        | Did not influence (DNI)             |                  |          |
|                           | 1.67 -                   | 2.33                        | Influenced (I)                      |                  |          |
|                           | 2.34 -                   | 3.00                        | Strongly Influenced (SI)            |                  |          |

## **The Status and Conditions of SMEs in the Rural Communities**

**Status of SMEs.** Of 18 SMEs covered by the study seven are single proprietorship; six primary cooperatives; two corporation; two partnership; and one NGO/PO. The average number of years that these SMEs have been in operation was 12 years. The highest however was 29 years, while the lowest was 5 years. The oldest registered SME came from Eastern Samar, having been registered for 29 years with the Department of Trade and Industry (DTI). The SME with the latest registration came from Northern Samar, having sought its registration in 1999, with the Cooperative Development Authority (CDA) a year after its organization and operation. The average number of personnel that these SMEs have is 23, with 105 as the highest and six as the lowest.

### **Membership/Ownership Structure**

**Single proprietorship.** Out of the seven SMEs registered as sole proprietorship, four are from Eastern Samar; two from Samar; and one from Northern Samar. In terms of capital structure, majority had (71.43 percent) have loans coming from financing institutions particularly banks and government agencies, aside from their own investments as working capital for business operations.

**Cooperatives.** The total original members of the six cooperatives totalled 2,474, with 94.75 percent are active and the rest are inactive. About 98.87 percent of the members have share capital or investment, an indication that the members realize the importance and benefits of putting up capital or investment in the cooperative.

The average number of members transacting business within a month posted about 258, with the cooperatives from Samar province indicating the highest number of 822, out of 830 total present members. The lowest was also coming from a cooperative in the Samar province, with 14 out of 75 total present members.

**Partnership, Corporation and NGO/PO.** The original partners or incorporators of the five SMEs registered as partnership (2), corporation (2) and NGO/PO (1), totalled to 28, with 57.14 percent male members and 42.56 percent female. The present membership is 35, 94.29 percent of whom are active. Most (79.29 percent) have capital investment, and 62.85 percent transact business with the organization within a month.

### **Leadership**

The leadership of the seven SMEs registered as proprietorships were vested on the owners, of whom are college graduates, while the other three are college levels. All are male, six have been managing their business enterprises since their inception, while the other one, has barely 2 years of experience in the actual business operations.

For the 11 SMEs registered as cooperatives, corporation, partnership and NGO, the highest number of Board of Directors/trustees was nine, coming from the two cooperative enterprises; while the lowest was three, coming from the two partnership ventures. Almost all of the members of the Board of Directors/Trustees work with their respective business organizations. The Board of Directors/Trustees of these 11

SMEs are college graduates; mostly with one year term of office. The majority ( 90.90 percent) conduct election as a process of selecting the officers/leaders, while only one practice the appointment process.

### **Policies, Systems and Procedures**

Most of the 18 SMEs generate financial resources from internal sources primarily in the form of share capital or fixed deposit. Aside from the internally generated funds, 9 or 50 percent of the SMEs generate financial resources from external sources through loan availment from the banks and other lending institutions. There are four SMEs, three are cooperatives and one NGO that availed of grants and donations from funding agencies both local and national. Only seven (38.39 percent) of the SMEs implemented resource mobilization programs with the involvement of the member-owners and investors, the majority ( 61.11 percent) did not.

### **Linkages and Networking**

The majority (72.22 percent) of the SMEs have established linkages with different institutions. Six (6) are linked with NGOs; another six with the GOs; five are linked with trade organizations; two with the academe; and the rest with people's organizations. The linkages focused primarily on technical assistance, financial assistance, and marketing linkage.

Only seven (38.89 percent) of the SMEs had sought membership with a alliance or network. Out of seven, 71. 43 percent were cooperatives being affiliate members of VICTO-NATCCO, RABA, Bahandi Producers of Eastern Visayas, Grains association and PASALEY; and two are NGO and proprietorship having sought membership with the Alliance of Local Producers such as Coir Industry of the Philippines and Samar Products Association.

### **Communication System**

The majority ( 77.78 percent) of the SMEs used verbal communication in the management of their internal affairs. As to the means of contact during meetings and other related activities, 88.89 percent used personal contact; while one utilizes its own cable TV thru plugs. Frequently used communication facilities by the majority of the SMEs were telephones/cellular phones and typewriters while one uses base radio. There were two SMEs that did not use any communication facility fo their business operations.

### **Awards and Recognition**

Out of 18, only 33.33 percent have joined in contests and competitions and won. These were 3 cooperatives. The rest were sole proprietorship (1), partnership (1), and NGO (1). The cooperatives won awards: Most Outstanding Cooperative with two municipal and provincial level awards and another one at the regional level; Best ERAP Store of the Year and Best in Savings and Credit, both at the provincial levels; Top Seller Award and Most Promising Product Design both at the national level and at the same category ( institutional Category). The sole proprietorship involved in the steel craft and welding shop operations won in the Search for the Best Steel Craft

Design at the regional level; the NGO won the Top Seller Award at national level (institutional category); and he partnership venture, participated in the Summer sports competition and emerged as the winner.

### Conditions of SMEs

The assessment made by the respondents on the condition of the SMEs revealed that all organizational variables like nature of membership and ownership structure; leadership; policies, systems and procedures; resource mobilization; linkages and networking; communication systems, and awards and recognition were assessed as “good”.

**Table 2. Assessment on the condition of SMEs as rated by Management and Staff, Community Households and Institution Representative**

| VARIABLES                          | MEAN SCORE               |                             |                                     |               | VALUE    |
|------------------------------------|--------------------------|-----------------------------|-------------------------------------|---------------|----------|
|                                    | Management staff<br>n=87 | Community Household<br>n=84 | Institution Representatives<br>n=85 | OVER-ALL MEAN |          |
| Membership and ownership structure | 2.81                     | 3.03                        | 2.87                                | 2.90          | G        |
| Leadership                         | 2.90                     | 3.05                        | 2.90                                | 2.96          | G        |
| Policies, systems and procedures   | 2.65                     | 2.82                        | 2.61                                | 2.69          | G        |
| Resource Mobilization              | 2.69                     | 2.87                        | 2.68                                | 2.74          | G        |
| Linkages and networking            | 2.72                     | 2.89                        | 2.73                                | 2.78          | G        |
| Communication systems              | 2.71                     | 2.64                        | 2.69                                | 2.68          | G        |
| Awards and recognition             | 2.77                     | 2.66                        | 2.66                                | 2.70          | G        |
| <b>Overall Mean Score</b>          | <b>2.74</b>              | <b>2.85</b>                 | <b>2.73</b>                         | <b>2.78</b>   | <b>G</b> |
| Legend: 1:00 -                     | 1.75                     | Poor (P)                    |                                     |               |          |
| 1.76 -                             | 2.50                     | Fair (F)                    |                                     |               |          |
| 2.51 -                             | 3.25                     | Good (G)                    |                                     |               |          |
| 3.26 -                             | 4.00                     | Very Good (VG)              |                                     |               |          |

### Level of Empowerment of Rural Communities with SMEs

The rural communities with SMEs were empowered along the aspects of material, perceptual and relational changes. The result of the study indicated that through SMEs the rural people experienced changes in their lives. On the material aspect, the SMES provided employment opportunities that helped rural people increase and sustain their



income and gave them fair chances of accessing, controlling and owning assets; of availing quality services on health care, nutrition and education. On the perceptual aspect, the SMEs helped rural people develop their self-esteem, enhance perception of their own individualities, interests and values; increased recognition and respect for individual's value and contribution, and their capabilities toward thinking ahead and planning for the future. On the relational aspect, the rural people appreciated the contribution of the SNEs toward increasing the role of the people in decision making, and in their bargaining power and participation in the political process. Furthermore, the SMEs are instrumental in providing strengths to local organizations and leadership, and in increasing appreciation among rural people that the SME is a tool towards achieving self-reliance.

**Table 3. Summary Table of the mean scores on the assessment of the level of empowerment of SMEs in terms of Material, Perceptual, relational changes as rated by the management and staff, community households and institution representatives**

| CRITERIA                  | MEAN SCORE               |                             |                                     | OVER-ALL MEAN | VALUE            |
|---------------------------|--------------------------|-----------------------------|-------------------------------------|---------------|------------------|
|                           | Management staff<br>n=87 | Community Household<br>n=84 | Institution Representatives<br>n=85 |               |                  |
| Material Change           | 2.67                     | 2.83                        | 2.65                                | 2.72          | Empowered        |
| Perceptual change         | 2.80                     | 2.89                        | 2.78                                | 2.82          | Empowered        |
| Relational change         | 2.80                     | 2.97                        | 2.74                                | 2.86          | Empowered        |
| <b>Overall Mean Score</b> | <b>2.78</b>              | <b>2.90</b>                 | <b>2.72</b>                         | <b>2.80</b>   | <b>Empowered</b> |
| Legend: 1:00 -            | 1.75                     | Not Empowered               |                                     |               |                  |
| 1.76 -                    | 2.50                     | Slightly Empowered          |                                     |               |                  |
| 2.51 -                    | 3.25                     | Empowered                   |                                     |               |                  |
| 3.26 -                    | 4.00                     | Highly Empowered            |                                     |               |                  |

### **Problems on Achieving High Level of Empowerment**

The common problems that hindered the rural communities from achieving a high level of empowerment were categorized into different levels- that of the individual , organizational or institutional and societal. At the individual level, the problems were focused on the negative attitudes and values of the people, and their lack of commitment to work for the development of the community. At the organizational or institutional level, the problems are focused on the weak support mechanisms from the stakeholders towards development programs and services in the community. At the societal level, the problems were traced to the government's and private sector's inadequate support to enable them to establish physical infrastructure that will enhance production, storage, processing and marketing of agricultural products. There were also problems on insurgency, too much politicking and poverty due to lack of gainful employment and income opportunities.

## Reasons for the SMEs Survival and Growth Over the Years

The responses of the respondents with regard to the reasons why SMEs survived and continued to grow over the years, put emphasis on the following reasons- good business management; sound business policies, systems and procedures; sincerity, commitment and dedication among the leaders and staff; need-based products, programs and services; and strong linkages and partnership with government agencies.

### Test of Relationships

The hypothesis that the organizational variables ( nature and ownership of business enterprise, leadership, policies, systems and procedures, resource mobilization, linkages and networking, communication systems and awards and recognition) are not related to the level of empowerment of rural communities as determined by changes in the material, perceptual and relational aspects of rural life was disconfirmed indicating that the organizational variables are all related or associated with the level of empowerment.

**Table 4. Perception on the influence of community variables in the emergence and growth of SME**

| VARIABLES                          | X2 VALUE |                    | DEGREE OF FREEDOM | DECISION    | INTER- PRETATION |
|------------------------------------|----------|--------------------|-------------------|-------------|------------------|
|                                    | Computed | Tabulated Value 5% |                   |             |                  |
| Membership and Ownership structure | 146.96   | 16.92              | 9                 | Rejected Ho | Related          |
| Leadership                         | 183.85   | 16.92              | 9                 | Rejected Ho | Related          |
| Policies, systems and Procedures   | 106.14   | 16.92              | 9                 | Rejected Ho | Related          |
| Resource Mobilization              | 170.06   | 16.92              | 9                 | Rejected Ho | Related          |
| Linkages and networking            | 184.10   | 16.92              | 9                 | Rejected Ho | Related          |
| Communication systems              | 66.82    | 16.92              | 9                 | Rejected Ho | Related          |
| Awards and recognition             | 54.35    | 16.92              | 9                 | Rejected Ho | Related          |

The test result of the hypothesis that the economic, socio-cultural, demographic, physical and politico-legal factors were not related to the level of empowerment of rural communities, indicated that except for bio-physical factors, all other factors such as economic, socio-cultural, demographic and politico-legal, were found to have

significant relationship with the level of empowerment of rural communities with SMEs.

**Table 5. Degree of relatedness of community variables to the level of empowerment of rural communities with SMEs**

| VARIABLES              | X2 VALUE |                    | DEGREE OF FREEDOM | DECISION    | INTERPRETATION |
|------------------------|----------|--------------------|-------------------|-------------|----------------|
|                        | Computed | Tabulated Value 5% |                   |             |                |
| Economic factors       | 54.35    | 12.59              | 6                 | Rejected Ho | Related        |
| Socio-cultural factors | 15.25    | 12.59              | 6                 | Rejected Ho | Related        |
| Demographic factors    | 10.67    | 12.59              | 6                 | Accepted Ho | Not Related    |
| Bio-physical factors   | 2.18     | 12.59              | 6                 | Accepted Ho | Not Related    |
| Politico-legal factors | 48.21    | 12.59              | 6                 | Rejected Ho | Related        |

## CONCLUSIONS

The findings that the majority of the rural communities in Samar Island, Philippines lived below the poverty threshold level are attributable to the many interrelated factors prevailing within and outside the community. While the economy of Samar Island is basically agriculture, the dispersion of industries and enterprises related to agriculture is very minimal; instead concentration on commodity trading ventures has been observed. This situation is magnified by the fact that the lending windows, mostly coming from private creditors are only accessible to small business owners with lesser amount of loans, with higher interest charges and with shorter payment terms.

The organizations existing in the rural communities of Samar Island are limited to parents-teachers association (PTA), youth organization and BHW associations. It is observed that the presence of organizations engaging in economically sound and viable enterprises is very limited. This is one of the reasons why the interventions of government institutions are not very well felt, since their focus are directed to community organizations like cooperatives, now regarded as effective vehicles for socio-economic changes.

Mechanisms to disseminate and implement programs and services of both government and private sectors down to the level of the rural communities have been found to be weak. As concluded, rural communities in Samar Island lack access to information and communication facilities.

The capitalization of the majority of the SMEs in the rural communities of Samar island came from the members' and owners' own investments, in the form of share capital and deposits. The owners of the SMEs prefer to invest their own capital rather

than avail of external sources due to stringent policies and other requirements imposed, aside from liberating them from the possible risks of not being able to pay.

Only a little over one-third of the SMEs have sought membership with alliances and network of business organizations from provincial up to regional levels. The membership of these networks and alliances was limited to the kind of commodity, and the type of economic activities engaged in, hence the availment of the programs and services like financial services and marketing assistance, are very minimal, if not nil.

The rural communities with SMEs in the Island of Samar are empowered in all the three aspects of material, perceptual and relational changes. The factors that influenced such empowerment were grouped into: the community related variables, which dealt with the external environment of the SMEs; and the organizational variables, which focused on the internal aspects of the SME as a business organization. On the external environment, the study focused on assessing the economic, socio-cultural, demographic, bio-physical and politico-legal factors of rural communities, whether or not they are related to the level of empowerment it achieved. The assessment revealed that except for bio-physical factors, all other factors were significantly related to the level of empowerment of the rural communities in the study. With regard to the organizational variables, the assessment focused primarily on membership and ownership structure; leadership; policies, systems and procedures; resource mobilization; linkages and networking; communication systems, and awards and recognition. The assessment results revealed that all organizational variables were related to the level of empowerment of the rural communities with SMEs.

### **Implications and recommendations**

The enactment of Republic Act 9178, otherwise known as the Barangay Micro-Business Enterprises ( BMBEs) Act of 2002, is a positive step of the government in its efforts to spur economic development in the countryside by encouraging the formation and growth of BMBEs, aside from the SMEs. The law defines BMBE ( Section 3, a of RA 9178) as a business entity or enterprise engaged in the production, processing or manufacturing of products or commodities including agro-processing, trading and services whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, shall not be more than three million pesos ( Php 3,000,000.00).

In this regard, enterprises whose asset sizes do not qualify as SME, can now be re-registered as BMBEs where they can avail of the credit windows that will serve their financial needs from any of the mandated agencies of the government. Moreover, the BMBEs once registered, will be exempted from paying income taxes for income arising from the operations of the enterprise, and from the coverage of the minimum wage law.

## **Organization and Establishment of Samar-Wide Trade Association or Chamber of Commerce**

Collaborative efforts among the three provincial offices of the Department of Trade and Industry in Samar Island should be directed toward the organization and establishment of a Samar-Wide Trade Association or Chamber of Commerce. The said association will ensure that the rights, benefits or privileges of the SMEs/BMBEs particularly in Samar Island are vigorously pursued and the interests of the owners/entrepreneurs are being protected.

## **Establishment of an Inter-Agency Regional SME Development Center**

To strengthen the capabilities and capacities of the SMEs and BMBEs in region 8, along the areas of enterprise development and implementation management, it is recommended that a Regional SME Development Center be established. The University of Eastern Philippines and the Department of Trade and Industry of Region 8 will spearhead this, in collaboration with other agencies of both government and the private sector, including federation or union of trade associations and/or chambers of commerce.

## **Research Recommendations**

Based on the findings of the study, it is recommended that similar study be conducted in other regions of the country to derive findings that may either support or refute the conclusions arrived at. The study may include technological factors, aside from the community variables used may include technological factors that will focus on how automation and technological advances influence the growth and development of SMEs, and how they relate to rural community empowerment. .

## **Acknowledgment**

The authors acknowledge with gratitude the Department of Agriculture-Bureau of Agricultural Research and the University of Eastern Philippines for the support extended to conduct this study.

## References

The Agriculture and Fisheries Modernization Act ( AFMA).1997. Reprinted by the Department of Agriculture-Agriculture and Fisheries Information Service. Quezon City, Philippines.

Asian Business for Entrepreneurs ( ABE). 2002. SME Hotspots. SME Scene. February 2002.

Bureau of Small and medium Business Development ( BSMBD). 1996. Small Business in the Philippines. Trade and Industry Information Center, Makati City, Philippines.

Center for Environmentally Sound Technology Transfer ( CESTT). 1998. Introduction to the Project Small and Medium Scale Industries in Asia: Energy, Environment and Climate Interrelations. Reprinted Article.

Chen, N. 2002. Empowerment Indicators in Enterprise Development. Retrieved August 16, 2002 from World Wide Web <http://www.enterprise-impact.org>.

IBON Philippines Profile. 1996. First Edition. IBON Foundation. Sta Mesa, Manila

NSO and UNFRA. 1999. Eastern Samar in Focus. Its Demographics and Socio-Economic Profile, NSO, Manila.

Philippine Statistics Authority and NSCB (2013). Latest Statistics on Philippine Poverty. Manila, Philippines.

Small and Medium Business Administration ( SMBA). 1996-1998. The Status of Korean SMEs. Retrieved on May 16, 2002 from the World Wide Web <http://www.smba.go.kr/English>

The World Bank. 2002. A Framework for Empowerment. Retrieved May 16,2002 from the World Wide Web <http://www.worldbank.org>.