

Correlation Between Marketing Strategies and Financial Performance of Micro Small Medium Enterprises in Isabela, Philippines

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Abstract: Micro Small and Medium Enterprises (MSMEs) account for 99.56% of the economy. They employ 62.8% of the workforce, unfortunately they contribute only 35% of the Gross Value Added (GVA) and 25% of the Philippine export. They remain far less productive than large firms. Notwithstanding the high rate of entry into the entrepreneurship activity, the failure rate is the highest in ASEAN leading to very low established business rate.

This study aims to determine the financial performance of MSMEs, the level of implementation of marketing strategies and the relationship that exists between the financial performance and marketing strategies. The study uses the descriptive-correlational research method. There were 224 MSMEs involved in the study. These were selected from the different municipalities where MSMEs are prevalent. The survey questionnaire was utilized to record the interview from the respondents.

It was found out that the financial performance of the MSMEs is "poor". with an overall score of 55. They are wanting in managing their receivables. they also have very low rate of return; they also have low survival rate because of their low rating on stability. In the context of marketing strategies, it was found out that MSMEs have very low rate of adoption of modern marketing strategies. They still employ the traditional way of enticing their customers. Lastly, it is found out that modern marketing strategies have significant and direct relationship with the MSMEs financial performance.

Keywords: MSMEs; financial performance; marketing strategies

• Introduction

Enterprises are the foundation of the economy. They are eyed not only to contribute to the majority of value added in production but they are also expected to provide the employment for workers. The Philippines envisions the reduction of poverty from 21.6 percent in 2015 to 13-15percent in 2022. Through the Micro Small Medium Enterprises (MSMEs) sector, the government is hopeful in the achievement of inclusive growth.

In the Philippines, 99.56 percent of firms are MSMEs of which 90 percent are micro; 9.6 percent are small and only 0.4 percent are medium (DTI 2017). They account for 62.8 percent of employment, unfortunately, they contribute only 35 percent of gross value added (GVA) and only 25 percent of the Philippine export. This indicates that large firms are significantly more productive than the MSMEs. This also puts the MSME workforce at a disadvantage compared to workers in big businesses as productivity is observed to have positive relationship with employee benefits.

The MSME sector remains far less productive than large firms due to several challenges such as access to finance (Harvie et al, 2013; Chittithaworn et al., 2011), access to technology (Thong and Yap, 2015), access to markets (Rogerson 2013; Kivue&Ofafa, 2013; Abor and Quantey, 2010), Many MSMEs cannot attract highly competent labor due to their low productivity.

The Philippine MSME Development Plan 2017-2022 provides greater opportunity to help start-up enterprises sustain, expand and internationalize their businesses and thereby become smarter entrepreneurs.

MSMEs in the province of Isabela, Philippines need to flourish for them to attain their economic (economic growth and development) and social objectives (poverty alleviation and improved standard of living).

Despite the promising entrepreneurial outlook which is indicated by high rate of entry into the entrepreneurship activity; with the number of business registrations which dramatically increased from 900,000 in 2017 to 1.30M as of December, 2018 and 1.42M in May, 2019, the failure rate is the highest in ASEAN leading to very low established business rate. (World Bank report, December, 2019).

Under this premise, the researchers deemed it important to conduct investigation on the strategies and performances of the MSME sector in the province of Isabela in order to determine the different strategies that would be implemented by the owners and managers to help improve the value of each enterprise.

Objectives of the Study

In general, the study sought to assess the marketing strategies implemented by and financial performance of the MSMEs in Isabela, Philippines. Specifically, the study attempted to:

- Determine the profiles of MSMEs and the owners/managers and staff;
- Analyze the financial performance of the MSMEs for 2014-2018 in terms of:
 - liquidity; 2.2.activity; 2.3. solvency and 2.4.profitability;
- Determine the level of implementation of marketing strategies by the MSMEs in Isabela, Philippines;
- Determine the relationship between the level of implementation of marketing strategies and financial performance of MSMEs in Isabela; Philippines; and
- Determine the problems encountered by MSMEs that hamper their financial performance.

Conceptual Framework of the study

The study is based on the theory that objectives, goals and vision of the business enterprises are realized through the shared effort of the owner, manager and staff and implementation of strategies and policies. Figure 1 depicts the relationships among the major variables that may influence the financial performance of a business enterprise.

If the workforce implements policies consistently, then the enterprises would attain their ultimate goals which include maximized profits; improved organizational performance; enhanced organizational credibility; and financial viability. This would further lead to financial and social stability and sustained growth.



Figure 1. Conceptual framework of the study

• **Research Methodology**

Research Design

To find answers to the problems and to test the hypotheses of the study, the descriptive- correlational research design was employed.

Respondents of the study

The owners, managers and staff of MSMEs that have been in existence for at least five (5) years were chosen to be respondents.

Table 1. MSMEs Classification. MSMEs are determined by the amount of their assets and number of employees (DTI-SMEDC & PSA):

Category	Amount of Assets	No. of employees
Micro	Below 3,000,000	Below 10
Small	3,000,001-15,000,000	10-99
Medium	15,000,001-100,000,000	100-199

Data Collection

Pertinent data and other information were gathered through personal interviews with the respondents. Survey questionnaires were utilized as a tool in recording data.

Sampling Procedure

The study purposefully sampled two hundred twenty four (224) MSMEs . Likewise, MSMEs were selected from the municipalities where MSMEs are predominant.

Table 2. No. of MSMEs, Cagayan Valley, Philippines (DTI 2018) and sample size.

Classification	No. of Enterprises	Percentage	Sample Number	Percentage

Micro	28,547	92.93	208	92.86
Small	2,119	6.90	15	6.70
Medium	52	0.17	1	.44
Total	30,718	100	224	100.00

The data were analyzed and processed using the Statistical Package for Social Science (SPSS) software applying the following statistical tools:

- Weighted arithmetical mean was used to determine the level of implementation of marketing strategies that affected the organizational performance of the MSMEs using the following Likert’s Table:

Scale Numerical Range Levels of implementation of policies

54.50-5.00 Very high

43.50-4.49 High

32.50-3.49 Average

21.50-2.49 Low

11.00-1.49 Very low

- Descriptive statistical tools like percentages, mean, ranking and frequency counts were used to determine the challenges faced by the MSMEs that hampered their growth;

- Pearson Product Moment Correlation was employed to determine the relationship between the level of implementation of the marketing strategies and the financial performance of MSMEs;

- Selected financial ratios were used to determine the financial performance of MSMEs: a. profitability; b. liquidity; and c. solvency; and

- Indicators of the performance standards for credit and other types of business were also used to analyze the financial performances of the MSMEs

Results And Discussion

A. Profile of the Respondents

Table 3. Profile of Respondents, MSMEs, Isabela, Philippines, 2019

Particulars	Number	Percentage
Individual Respondents:		
Sex:		
Male	112	50
Female		
Age (mean) in years	40.52	
Marital Status		
Single	30	13.40
Married	194	86.60
Position in the MSME:		
Owner	54	24.10
Manager	31	13.80
Staff	139	62.10
No. of yrs. in the position (mean)	12.28 yrs.	
Highest educational attainment:		
High school	26	11.60
College	198	88.40
Training attended		
Topics on Finance	112	50
No. of hours in Training:		
Less than 10 hours	85	75.89

Less than 20 hours	27	24.11
MSME Respondents:		
Asset size:		
Micro	208	92.86
Small	15	6.70
Medium	1	0.44
Ownership:		
Sole proprietorship	197	87.90
Partnership	27	12.10
Nature of Business:		
Manufacturing	19	8.50
Trading	128	57.1
Service	77	34.40

Table 3 reveals the profile of the respondents. Both sexes were equally represented. The mean age of the respondents was 40.52 years. Majority of the respondents were staff or employees with 139 or 62.10 percent. 194 or 86.6 percent were married and only 30 or 13.4 percent are single. The mean length of stay with the MSMEs was 12.28 years. Majority (198) or 88.40 percent were college graduate and 26 or 11 percent finished elementary education. It is also revealed that only 112 or 50 percent had attended training on finance of which 85 or 75.89 percent have attended less than 10 hours and 27 or 24.11 percent had attended more than 10 hours but less than 20 hours..

Of the MSMEs tapped as respondents, 208 or 92.86 percent were micro; 15 or 6.70 percent were small and only 1 or 0.44 percent is medium. Also, as to the nature of business, majority are trading with 128 or 57.1 percent; 77 or 34.40 percent are service and only 19 or 8.5 percent are manufacturing.

B. Financial Performance of MSMEs

B.1. Performance on Profitability

B.1.1. Gross Margin Rate

It is shown on table 4 that 205 or 91.5 percent of the MSMEs in Isabela generated gross revenue of at least 30% of selling price.

Table 4. Average gross margin rate, MSMEs, Isabela, Philippines, 2019

Gross Margin Rate	Frequency	Percent
less 30%	19	8.5
more than 30%	<u>205</u>	<u>91.5</u>
Total	224	100.0

B.1.2. Net Profit Rate

Table 5 discloses the net profit rate of MSMEs. 147 or 65.6 percent generated a net profit rate of only less than 5 percent. Only 77 or 34.4 percent generated net profit of more than 5 percent but less than 15%.

Table 5. Average Net Profit rate, MSMEs, Isabela, Philippines, 2019.

Net Profit Rate	Frequency	Percent
less than 5%	147	65.6
less than 15%	77	34.4
Total	224	100.0

B.1.3 Return on Assets (ROA)

ROA measures the efficiency of the management in using the assets of the enterprise to generate profit. It is computed by dividing the net profit by the total assets. Table 6 reflects the efficiency of management of MSMEs. 205 or 91.5 percent generated ROA above 8 percent and 19 or 8.5 percent generated more than 4 percent but less than 8 percent ROA

Table 6. Average Return on Assets, MSMEs, Isabela, Philippines, 2019

Rate	Frequency	Percent
more than 4%	19	8.5
more than 8%	205	91.5
Total	224	100.0

B.2. Performance on Liquidity**B.2.1 . Cash ratio**

Table 7 shows that majority of MSMEs, 143 or 63.8 percent, have only 1.33: 1.00 cash ratio. This implies that for every peso of current liability, only P1.33 cash available for the MSMEs.. Also, 29 or 12.9 percent; and 26 or 11.6 percent each have more than 1.33 :1.00 but not to exceed 1.67:1.00 cash ratio and less 1.00:1.00; and more than 1:1 cash ratio, respectively.

Table 7. Average Cash Ratio, MSMEs, Isabela, Philippines, 2019

	Frequency	Percent
less than 1	26	11.6
1.33	143	63.8
1.67	29	12.9
more than 1	26	11.6
Total	224	100.0

B.2.2. Current Ratio

Table 8 shows the performance of the MSMEs in the context of current ratio. Majority, 198 or 88.4 percent of the MSMEs, have current ratio of more than 1. This means that for every peso of current liabilities, they have more one peso of current assets to use. The cash ratio and current ratio of the MSMEs are almost the same. This implies that majority of the current assets of the MSMEs are in the form of cash.

Table 8. Average current ratio, MSMEs, Isabela, Philippines, 2019

Ratio	Frequency	Percent
less than 1	26	11.6
more than 1	198	88.4
Total	224	100.0

B.3. Activity ratio**B.3.1. Average asset turnover**

As gleaned from Table 9, 128 or 57.1 percent of MSMEs generated sales of P3.33 for every peso of assets used in the business operation; 76 or 33.9 percent generated a little higher at 3.67:1 ratio. Only 4 or 0.4 percent generated sales of more than 4 for every peso of assets utilized in the day to day conduct of the affairs of the enterprise.

Table 9. Average Asset Turnover, MSMEs, Isabela, Philippines, 2019

	Frequency	Percent
more than 3	19	8.5
3.33	128	57.1
3.67	76	33.9
more than 4	1	.4
Total	224	100.0

B.3.2. Average Inventory Turnover

Table 10 shows the inventory turnover of MSMEs in Isabela. 77 or 34.4 percent are service business, thus inventory turn-over is not applicable to them. 147 or 65.6 percent have Inventory turnover rate of more the 20 times. It means that the MSMEs have sold and replaced more than 20 times per period their entire batch of inventories

Table 10. Average Inventory Turnover, MSMEs, Isabela, Philippines, 2019

Inventory Turnover	Frequency	Percent
00	77	34.4
more than 20	147	65.6
Total	224	100.0

B.3.3. Days-in-Inventory

As gleaned from Table 11, the MSMEs have sold their merchandise in less than 20 days.

Table 11. Average day's in inventory, MSMEs, Isabela, Philippines, 2019

Average Day's in Inventory	Frequency	Percent
00	77	34.4
less than 20	147	65.6
Total	224	100.0

B.3. 4 Receivable turn-over.

Table 12 shows majority 128 or 57.1 percent have a turnover rate of more than 20 times; 77 or 34.4 percent have more than 15 times and 19 or 8.5 percent have only more than 10 times receivable turnover.

Accounts Receivable Turnover	Frequency	Percent
more than 10	19	8.5
More than 15	77	34.4
more than 20	128	57.1
Total	224	100.0

Table 12. Average Receivable Turn Over, MSMEs, Isabela, Philippines, 2019

B.3.4. Collection period

.Table 13 shows that the 205 or 91.5 percent have less 20 days collection period and only 19 or 8.5 percent have less than 30 days collection period.

Table 13. Average Collection Period (in days), MSMEs, Isabela, Phil., 2019

Average Collection period (in days)	Frequency	Percent
less than 20	205	91.5
less than 30	19	8.5
Total	224	100.0

B.4. Solvency

Investor can gain insights into how likely an enterprise will be able to continue meeting its debt obligations. A higher ratio indicates financial strength.

B.4.1. Debt-to-Equity ratio

Table 14 shows that 96 or 42.9 percent of MSMEs in Isabela have less than 2:1 D/E ratio. This means that MSMEs rely on liabilities in financing its assets than on the shareholders. On the perspective of the creditors,

they may face risk on their loans to MSMEs because in the event of economic turmoil, that may eventually lead to closure of businesses,, their loans may not be fully covered by the existing equity.

Table 14. Average D/E ratio, MSMEs, Isabela, Philippines, 2019

D/E Ratio	Frequency	Percent
0	128	57.1
less than 2	96	42.9
Total	224	100.0

B.4.2. Interest Coverage

Table 15 shows that 128 or 57.1% MSMEs do not have debts. Since the enterprises do not have debts, it means that the source of revolving capital for the day-to-day business operations is the earnings of the business. This limits the growth and expansion of the MSMEs.

Table 15. Interest Coverage, MSMEs, Isabela, Philippines, 2019

Interest coverage	Frequency	Percent
no debts	128	57.1
less than 3	77	34.4
less than 5	19	8.5
Total	224	100.0

C. Over-all financial performance of MSMEs in Isabela, Philippines, 2019

It can be inferred that the average operating cycle of the MSMEs in Isabela is 40 days. This implies that cash is invested for forty (40) days in financing receivables and inventory. This condition requires monitoring because if there are too much slow moving inventories and delinquent debtors, this will cause, in the long-run, losses to the MSMEs.

Based on Table 16, the overall financial performance of MSME sector in Isabela is “very poor”.with an overall score of 55. It is wanting in managing its receivables. Its score on efficiency is only half the standard due to its very low rate of return. It is deficient on asset management. Also on stability, its score is only 20 percent. Stability is the pre-requisite for determining the survival of the company (Niresh, 2012).

Table 16. Overall Financial Performance, MSMEs, Selected Municipalities, Isabela

RATIO	RATE	STANDARD	MSMEs in Isabela, Philippines
Portfolio Quality	25%	No past due accounts	5%
Efficiency	20%	At least Inflation Rate	10%
Stability	30%	At least 110%	20%
Operations	10%	Zero Borrowing	5%
Structure of Assets	15%	At least 35%	15%
Total	100%		55%
QUALITATIVE RATING:			POOR

Basis : Indicators of the Performance Standards for Credit and other types of business

D. Level of Implementation of Good Marketing Strategies

Marketing has become an important subject in the modern business that it ensures propensity and profitability of firms. Companies develop marketing strategies to help develop brand identities, increase sales and gain market share. firms can achieve financial performance through appropriate marketing strategy (Rehman, etal 2015)

MSMEs in Isabela, Philippines reach their markets through the strategies as shown in Table 17. The table reflects that the level of implementation of marketing strategies was “very low”, especially on ICT related advertisement media. The widely used mode of advertisement by the MSMEs is the traditional way of giving discounts to loyal customers. The respondents reasoned out that advertisement add to their operating costs.

Further, they are not proficient in the use of such “high tech”. This finding is consistent with the results of the study conducted by Chillya, Herbst and Lombard (2009). They found out that the most efficient and effective mode of advertisement is “word of mouth”.

According to Google and Temasek, the Philippine e-commerce industry is poised for exponential growth, with its share of the South East Asian market expected to be worth US10B by 2025. For the Philippine MSMEs, they have to shift from the traditional marketing strategies to online or e-business since the Philippines is a “tech-savvy” population.

Table 17. Level of Implementation, Marketing Strategies, MSMEs, Selected Municipalities, Isabela

Marketing Strategies	Level of Implementation	
	Mean	Descriptive Rating
Setting a goal or target	2.27	Low
Online Marketing	1.116	Very Low
Use of "google my business account"	0.3616	Very Low
email Marketing	0.558	Very Low
Partnership with other brands	0.8661	Very Low
Print media Advertisement	0.5982	Very Low
Direct Marketing	0.3393	Very Low
Giving incentives to staff who makes sales	1.125	Very Low
Offer Free Consultation	1.2455	Very Low
Giving discounts	3.4	Moderate
Grand Mean	1.18797	Very Low

E. Relationship between the level of implementation of marketing strategies and financial performance of MSMEs in Selected Municipalities of Isabela.

The relationship between the level of implementation of marketing strategies and financial performance of MSMEs is reflected on table 18.

Table 18. Relationship Between the Level of implementation of Marketing Strategies and Financial Performance of MSMEs in selected Municipalities of Isabela.

Marketing Strategies	Average liquidity		Average activity ratio		Average solvency		Average Profitability	
	r value	Sig	r value	sig	r value	sig	r value	Sig
Setting of targets	0.013	.224	.051	.444	.049	.468	0.058	.388
Online Marketing	0.185**	.005	0.342**	.000	.0240	.000	.345**	.000
Google “my business” account	0.150	.017	0.303**	.000	0.125	.061	0.312**	.000
Email marketing	.066	.323	.208**	.002	.343**	.00	.197**	.003
Partnerships with other brands	.183**	.006	.233**	.000	.163*	.015	.257**	.000
Print media Adv	-.083	.218	.501**	.000	.418**	.000	.501**	.000
Direct Marketing	.066	.323	.208**	.002	.343**	.000	.197**	.003
Free product consultation	.104	.122	.01	.883	.025	.711	0.57	.396
Giving employee incentives	-.209**	.002	.378**	.000	-.424**	.000	-.371**	.000
Giving discounts	-.101	.121	-.221	.003	-.111	.001	-.322**	.001

**correlation is significant at the .01 level (2-tailed)

*correlation is significant at the .05 level (2-tailed)

It can be gleaned on Table 18 that ICT-related marketing strategies such as “online marketing”; google “my business” account; and “email marketing” have significant and direct relationship with financial performance of MSMEs in the province of Isabela, Philippines. Online marketing is significantly and directly related with liquidity ratio; activity ratio; and profitability ratio with r values of 0.185 (p value of .005); .342 (p value of .000); and .345 (p value of .000), respectively. Google “my business” account has likewise significant and direct

relationship with activity ratios; solvency ratios and profitability ratio with r values of .303 (p value of .000); .312 (p value of .000), respectively. Email marketing has also significant and direct relationship with activity ratios; solvency ratios and profitability ratios with r values of .208 (p value of .002); .343 (p value of .000); and .197 (p value of .003); respectively. This implies that as the use of ICT as marketing strategy increases, SME financial performance will also improve. This is consistent with the argument of Oliseetal (2014) that ICT adoption improves SME productivity & global competitiveness. In the study conducted in the Banking sector of Pakistan, Asheem, et al. (2015) found out that there is positive relationship between e-commerce and organization performance. By implementing e-commerce, organizations improve their performance in terms of business operations, job performance and customer satisfaction. The traditional marketing strategies of promotion through the “giving of employees incentives” and “giving discounts” to buyers have significant but inverse relationship with average liquidity ratios with r value of -.209 (p value of .002); average activity ratios with r value of -.378 (p value of .000); average stability ratios with r value of -.424 (p value of .000); and average profitability ratios with r value of -.371 (p value of .000), average profitability ratios with r value of -.322 (p value of .001), respectively. These strategies may increase profitability over the short term but over the long term, discounts tend to hurt the brand. It could be inferred that promotion strategy can be a short-term strategic tool to address particular problems such as overstocks or end-of-line issues but not appropriate to increasing the financial performance in the long run. MSMEs have to implement appropriate marketing strategies for them to improve financial performance (Rehman, et al 2015). Other marketing strategies such as “partnership with other brands or companies” is also significantly and directly related to liquidity ratios; activity ratios; stability ratios; and profitability ratios of MSMEs with r values of .183 (p value of .006); .233 (p value of .000); .163 (p value of .015); and .257 (p value of .000), respectively. This implies that MSMEs need to bring essential competitiveness to their business through shared feedback. This enables them to capture financial and technological information that strengthens their business and allows them to overcome their limitations (Silva, et al., 2016). MSMEs can reduce their resource constraints problems by having linkages with other firms (Raskovic, et al., 2012; Allred, et al., 2011; Neito, Santamaria, 2010).” Direct Marketing” strategy has also significant and direct relationship with activity ratios; stability ratios; and profitability ratio with r values of .208 (p value of .002); .343 (p value of .000); and .197 (p value of .003), respectively. This implies that this marketing strategy has a great impact on the financial performance of MSMEs. Direct marketing helps build direct relationship with customers, increases personal connection, customer loyalty and this gives a better sales success rate than communicating to the mass market.”Print media advertisement” strategy has also significant and direct relationship with activity ratios; stability ratios; and profitability ratios with r values of .501 (p value of .000); .418 (p value of .000); and .501 (p value of .000), respectively. This means that this marketing strategy has significant impact on financial performance of MSMEs. This is consistent with the finding of Jacob Cherian (2015) that consumers who are 50 years and above prefer print media advertisement. This can be inferred that sales of firms who advertise via print are enhanced due to the fact that these consumers are the ones capable of buying..

F. Problems encountered by MSMEs that hamper their financial performance.

MSMEs in the Philippines have not blossomed due to various factors that impede their productivity. The respondents are requested to indicate the challenges that are faced by the MSMEs. Table 19 shows the top six (6) ranking problems met across all the categories of MSMEs. “Too many competitors” ranks number one.

Low employee morale is number two in the list. Low employee morale can be destructive in a business setting and can lead to dissatisfaction, poor productivity, absenteeism and even turnover of employees.

Lack of capital or limited access to credit ranks 3rd. This occurs because mainstream lenders are often reluctant to fully engage with MSMEs and hesitant to invest a productive amount of capital. If funding is down, business will struggle to keep up with demand and may lose out on sales.

Lack of managerial and financial skills is the number four (4) problem met by MSMEs in the Province of Isabela. MSMEs are led by a small team of individuals with little to no real management experience. Employer did not offer training at all. This is troublesome because unskilled leadership can have far-reaching effect in small businesses.

Table 19. Problems met by MSMEs in selected municipalities in Isabela

Problems	Micro	Small	Medium	Total	Rank
Too many competitors	200	10		210	1

Low employee morale	139	15		154	2
Lack of managerial/financial skills	100	10		110	4
Fast employee turnover	74	15		89	5
Recruitment	60	10	1	71	6

Recruitment is also a problem met by the MSMEs. Employing skilled staff can be difficult to MSMEs, considering the competitive advantage larger firms have in term of salaries and employee benefits, state of the art infrastructure, better workplace, etc.

• **Conclusions And Recommendations**

For a more thorough understanding, the following concluding statements were drawn from the highlights of the study..

In general, the MSMEs involved in the study implement marketing strategies but with a “low” level of implementation with a grand mean of 1.1879. They still implement the traditional strategies of attracting and retaining customers. They lack the skills of using the modern technology such as email marketing; google “my business” account and other information communication technology (ICT). The ICT-related marketing strategies have significant and direct relationship with the financial performance of MSMEs. This implies that if the level of implementation of ICT-related marketing strategies is increased, the financial performance of the MSME sector shall also be improved. This is supported by several researchers (Cross Ogohi Daniel, 2018; and Nimer and Qasem 2015). Also, in the study conducted in the Banking sector of Pakistan, Azeem, et al. (2015) it is found out that there is a positive relationship between e-commerce and organization performance. They argued that by implementing e-commerce, organization improves its performance in terms of business operations, employee job performance and customer satisfaction.

In the context of financial performance, the overall financial performance of MSMEs in Isabela, Philippines is qualitatively described as “poor”. They have difficulty of accessing credit, thereby, their working capital is limited to the revenues earned by the business. It is therefore concluded that if sufficient capital is provided to the MSMEs, their profitability, and growth will be improved and sustained

Also, the MSMEs did not provide sufficient trainings to their management and staff. They failed to enhance their managerial, financial and entrepreneurial skills. Employee training has great impact on employee performance as employees tend to become obsolete and therefore making the need to continuously upskill them is invaluable due to organizational, technological and social dynamics (Fard, 2013). Therefore, in order for MSMEs to maximize their profit in the long run, there is a need to invest on employee training and development programs because training and development have positive correlation and claimed statistically significant relation with employee performance and productivity (Salah, 2016).

The main problems encountered by MSMEs that hinder them from attaining profitability and sustaining financial viability are within their control. The most pressing ones as perceived by the respondents are: too many competitors; low employee morale; lack of capital/limited access to credit; lack of financial and managerial skills; fast employee turnover and recruitment. Since low employee morale has adverse effects on organizational performance, MSMEs need to strategize in lifting the morale of its most valuable asset, its human resources. This can be done by making employees understand and share in the vision of what the MSMEs are doing as an organization. Also, MSME owners and managers need to show that they care about the welfare of their employees by making them feel that they are involved in their employees’ lives. The MSMEs have difficulty in attracting skilled and competent employees. This is due to their inability to offer competitive salaries and wages and other employee benefits to their workforce.

The above problems hinder the growth and productivity of MSMEs, hence, it is therefore recommended that they must be addressed immediately to prevent further loss and damage to their business operation. They need to build strong linkage and collaboration with the industry, academic institutions, training centers and other agencies for assistance and guidance.

The Philippine government has formulated policies, programs and guidelines to help MSMEs improve their productivity. The MSME owners must know the various development programs made for them. As laid down in the MSME development plan for 2017-2022, the present administration envisions a more globally competitive, regionally integrated, nationally resilient, highly sustainable and productive, innovative and dynamic MSME sector performing as one of the effective drivers of inclusive Philippine economic growth. Various programs were launched to realize the said vision, these are 1) “PondosaPagbabago at Pag-asenso (P3)”. MSMEs are encouraged to tap the opportunity in macro policy, infrastructure, development and trade deals, streamlining and simplifying loan processes, incentivizing financial institutions to reach MSMEs by equipping them with

knowledge and enticements to avail of formal financial services; 2) “Negosyo” centers were established nationwide to provide assistance to facilitate registration and capacity building needs of MSMEs; 3) “Kapatid Mentor Me” Programs. This provides coaching and mentoring where successful large corporations guide MSMEs in the different aspects of business operations; 4) Go “local” retail concept store showcasing quality and innovative Philippine products in selected retail outlets; 5) “One Town, One Product” (OTOP) next gen. This provides a package of private-public assistance that enables community to determine, develop, and promote products or services in its local culture. This may address the problem of too many competitors; 6) Share service facilities. This program provides machineries, equipment, tools and skills for the common use of MSMEs in business agglomeration; and 7) Small Enterprise Technology Upgrading Program (SETUP). This program enables the MSMEs to address the technology problems through technology transfer and intervention to boost their production and competitiveness. So based on this, the government has a lot of relevant programs to help the MSME sector. It is therefore recommended that the owners and the management and staff build a strong collaboration with the implementing agencies of the aforementioned programs and other players in the sector to enable them to have access to these programs and relevant information for the successful operation of their business enterprise.

The present study covered the relationship between financial performance and marketing strategies among MSMEs, in general, in the selected municipalities in Isabela without taking the sub sectors, it is therefore recommended that a more detailed study be conducted among the different sub sectors of the industry covering the Northern part of Isabela may be conducted by the future researchers.

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