



Train Law Implementation Shaping Out Small and Medium Enterprise Business Operations

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Abstract : Implementing a new tax reform law in the Philippines has introduced significant changes to the tax system, mainly affecting small and medium enterprises (SMEs). The TRAIN Law, designed to simplify the tax process and increase revenue collection, impacts various aspects of business operations, including collection policies, business taxes, and exemptions (Republic Act No. 10963, 2017). The study was conducted in South Cotabato, Philippines, with 135 respondents. The respondents were SME owners and managers chosen based on convenience sampling. It employed quantitative research and utilized descriptive and correlational designs. Findings revealed that most SMEs in South Cotabato were classified as small businesses, accounting for 97% of the total. Most SMEs have been in operation for 7-9 years. There was a high, positive correlation between the overall TRAIN Law implementation and overall SMEs' business operations. Strong positive correlations were found between employee benefits and collection policies and exemptions. The regression analysis revealed that the whole model was not statistically significant except business profile which emerged as a significant individual predictor in the negative direction.

Keywords: *TRAIN Law Implementation, Business Operations, Small and Medium Enterprise, Business Taxes, Collection and Exemptions*

INTRODUCTION

Small and medium-sized businesses have long been regarded as a driving force in economic development and the industrialization of smaller economies. According to the World Bank Organization's research, small and medium-sized enterprises (SMEs) play a significant economic role, they are the majority of businesses in the economy, and SMEs are one of the most important sources of job creation and employment (Tee et al, 2016).

Implementing a new tax reform law in the Philippines has introduced significant changes to the tax system, mainly affecting small and medium enterprises (SMEs). The TRAIN Law, designed to simplify the tax process and increase revenue collection, impacts various aspects of business operations, including collection policies, business taxes, and exemptions (Republic Act No. 10963, 2017). South Cotabato, a province known for its vibrant local economy and diverse business landscape, provides a unique setting to analyze the implications of the TRAIN Law on smaller businesses, which are often considered the backbone of the local economy.

Despite the law's intent to streamline taxation, its implementation has sparked mixed reactions among the business community. Some stakeholders view it as a positive step toward a more efficient tax system, while others express concerns about increased operational costs and compliance burdens (Martinez, 2019). Given these conflicting perspectives, it becomes crucial to empirically examine the TRAIN Law's actual effects on SMEs, focusing on areas such as pricing strategy, employee benefits, profitability, customer benefits, tax filing, innovation, productivity, and growth (Department of Finance, 2018).

The primary stakeholders affected by the TRAIN Law include SME owners, employees, and customers. SME owners must navigate the new tax landscape, ensuring compliance while maintaining profitability. Employees may experience benefits and job security changes, while customers might see adjustments in pricing strategies as businesses adapt to the new tax environment (Garcia, 2020). Supporting the need for this investigation are several legal frameworks and scholarly articles that emphasize the importance of understanding the law's impact on SMEs.

NEED OF THE STUDY.

The relationship between the different variables in this study is shown in the conceptual framework in Figure 1. The independent variable includes the implementation of the TRAIN Law. The variable encompasses collection policy, value-added taxes, and exemptions. The dependent variables are the SME business operations, such as pricing strategy, employee benefits, filing/payment of taxes, shaping business innovations, productivity, and growth. The moderating variable in this study is the business profile, composed of the years of business operation, business size, ownership structure, type of business industry, business type, capitalization, estimated monthly gross sales, and type of taxes paid. These variables can affect the relationship between the implementation of RA 10963 (TRAIN) Law and the shaping of SMEs' business operations. This study hypothesizes that SME business operations significantly relate to the business's profile. Therefore, this research study investigated the moderating variable on the SMEs' business operations based on the significant relationship between the TRAIN Law implementation on shaping SMEs' business operations. Overall, the conceptual framework proposed that TRAIN Law implementation can directly affect the shaping of SMEs' business operations, moderated by their business characteristics.

3.1 Population and Sample

The respondents were the owners and managers of SME businesses in the province of South Cotabato, including one component city, Koronadal City. The study participants were chosen by the researcher based on the number of SME's selected respondents located in these localities.

The researcher considered the population of four hundred fifty-eight (458) study participants from eleven municipalities, including one component city, in collecting the valuable data needed for this research paper. Table 1 shows the distribution of respondents by revenue district municipalities.

3.2 Data and Sources of Data

These localities were chosen based on the total revenue collected by their municipal government for calendar year 2022- 2023 through the SME's business sector, and it will give the researchers the needed information for those SMEs affected by the implementation of TRAIN Law based on their daily business operations, experience in the business industry as well as the products and services they provide to their customers. The data was taken from the list of businesses in the municipal and local licensing offices.

3.3 Theoretical framework

Considering the preceding laws and theories in implementing new tax reform for RA 10963, or Tax Reform for Acceleration and Inclusion (TRAIN) Law, Keynes' Trickle Theory (1930) is the foundation of this study. This theory highlights the importance of implementing beneficial policies for the lower and middle classes to achieve profitable economic data outcomes. According to this concept, it is like the fountain effect: it begins from the bottom, particularly among the poorer classes, and works its way up to the top or those considered the wealthiest. It illustrates equality as a tool for business productivity, increased quality of life, and economic progress by providing tax relief and cuts for those business enterprises that are less financially competent.

In this regard, the research focused on the experiences and perceptions of the selected small and medium enterprise business entities and whether the TRAIN Law Act shapes out equity, benefits, and improvement on their operation over the previous tax system. Such disclosure would help the SMEs to understand the new tax rulings, issues, and shortcomings.

This study contrasts with the theories of Schmolders's Fiscal Psychology Theory (1959), which emphasizes the taxpayer's loss of motivation to pay taxes because there are no genuine benefits from tax payments. These intervening approaches are primarily psychological and could be used to enhance economic forecasting, understanding the effects of taxes on work effort, the inclination to evade taxes, and, more broadly, the relationship between taxpayers and government (Lewis, 1982).

Moreover, tax compliance entails abiding by a country's tax laws and paying taxes on time without being pursued or threatened with heavy fines. Any distinction between the real amount of taxes paid and due is referred to as non-tax compliance. Non-tax compliance encompasses deliberate and inadvertent non-compliance caused by calculation mistakes and a lack of awareness of tax regulations (Rispa, 2018).

Furthermore, SMEs must fully comprehend their adherence to tax obligations under the law, including activities conducted through the online tax system, such as filing income tax returns, value-added taxes, and other percentage Taxes at all stages of the taxation process, as well as adhering to other tax administration requirements under the law (Angeles, 2021).

The relationship between the different variables in this study is shown in the conceptual framework in Figure 1. The independent variable includes the implementation of the TRAIN Law. The variable encompasses collection policy, value-added taxes, and exemptions. The dependent variables are the SME business operations, such as pricing strategy, employee benefits, filing/payment of taxes, shaping business innovations, productivity, and growth.

The moderating variable in this study is the business profile, composed of the years of business operation, business size, ownership structure, type of business industry, business type, capitalization, estimated monthly gross sales, and type of taxes paid. These variables can affect the relationship between the implementation of RA 10963 (TRAIN) Law and the shaping of SMEs' business operations. This study hypothesizes that SME business operations significantly relate to the business's profile. Therefore, this research study investigated the moderating variable on the SMEs' business operations based on the significant relationship between the TRAIN Law implementation on shaping SMEs' business operations. Overall, the conceptual framework proposed

that TRAIN Law implementation can directly affect the shaping of SMEs' business operations, moderated by their business characteristics.

3.4 Statistical tools and econometric models

This section elaborates the proper statistical/econometric/financial models which are being used to forward the study from data towards inferences. The detail of methodology is given as follows.

3.4.1 Descriptive Statistics

The data collection process involved in TRAIN Law Implementation shapes SMEs' business operations employed Microsoft Excel software. Descriptive and inferential statistics were used in data analysis. The demographic profile was analyzed using frequency and percentage. The mean and standard deviation were used to determine and analyze the extent of TRAIN Law implementation in shaping SMEs' business operations. Below is the scale were applied to interpret the computed mean for the TRAIN Law implementation on Shaping SME business operations as follows:

Scale	Range	Descriptive Level	Interpretation
4	3.26 – 4.00	Fully Implemented	Salient provisions of TRAIN law relative to SMEs' business operations are fully implemented.
3	2.51 – 3.25	Implemented	Salient provisions of TRAIN law relative to SMEs' business operations are implemented
2	1.76 – 2.50	Moderately Implemented	Salient provisions of TRAIN law relative to SMEs' business operations are moderately implemented
1	1.00 – 1.75	Poorly Implemented	Salient provisions of TRAIN law relative to SMEs' business operations are poorly implemented.

The mean and standard deviation were also used to determine and analyze the level of awareness and perceptions of the TRAIN Law implementation, as well as the adaptability and effect of TRAIN Law on their business operations.

The scale for interpreting the extent of RA10963 as perceived by the respondents in shaping their business operations is as follows:

Scale	Range	Descriptive Level	Interpretation
4	3.26 – 4.00	Very High	The implementation of the TRAIN law provision is very aggressive and highly impacted the shaping of our business operations.
3	2.51 – 3.25	High	The implementation of the TRAIN law provision is aggressively and highly impacted the shaping of our business operations.
2	1.76 – 2.50	Moderate	The implementation of the TRAIN law provision is fairly aggressive and highly impacted the shaping of our business operations.
1	1.00 – 1.75	Low	The implementation of the TRAIN law provision is poorly aggressive and highly impacted the shaping of our business operations.

The correlation coefficients were employed to assess the significant relationship between the independent and dependent variables of the study to ascertain and analyze the extent of TRAIN law implementation and the extent of SME's business operations in South Cotabato.

Lastly, multiple regression analyses were employed to ascertain whether there is a substantial correlation between the business operation and the business characteristics of the SME.

IV. RESULTS AND DISCUSSION

4.1 Results of Descriptive Statics of Study Variables

The distribution of SMEs' business characteristics in terms of business scale is revealed by the data presented in Figure 4, which is located on the subsequent page. The table displays SMEs' frequency and percentage distribution based on their business size, which is divided into two categories: small and medium.

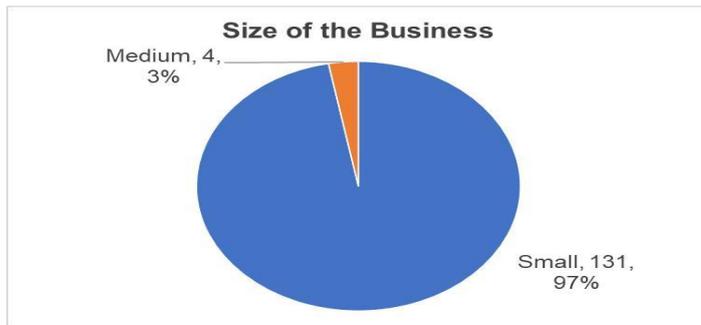


Figure 4. Distribution of SMEs' Business Characteristics in terms of Business Size

Data reveals that most SMEs in South Cotabato are classified as small businesses. Specifically, 131 out of 135 respondents, or 97%, fall under the small business category. In contrast, only 4 respondents, or 3%, are classified as medium-sized businesses. This distribution suggests that small businesses dominate the SME landscape in South Cotabato. The prevalence of small enterprises could be attributed to various factors, including lower capital requirements, ease of entry into the market, and the ability to operate with fewer employees. This finding is supported by the study of Costa et al. (2016). SMEs are considered the backbone of the local economy because they are vital in the progress and expansion of most governments and non-government sectors, whether in progressive or developing countries. Is it because various countries have different classifications of SMEs based on their economic development level, population, and size (Elhassan, 2019). In addition, it could be based on the fact that most of the municipalities in South Cotabato are agricultural-dependent economies. Moreover, the small proportion of medium-sized businesses highlights the potential for growth and expansion within the SME sector. Initiatives supporting small businesses in scaling up to medium-sized enterprises could contribute to a more balanced and robust economic environment in South Cotabato (Santos & Reyes, 2018).

Years of Business Operation

The distribution of SMEs' business characteristics in terms of years of business operation is revealed by the data presented in figure 5. The table displays SMEs' frequency and percentage distribution based on their years of business operation, which are categorized into five categories.

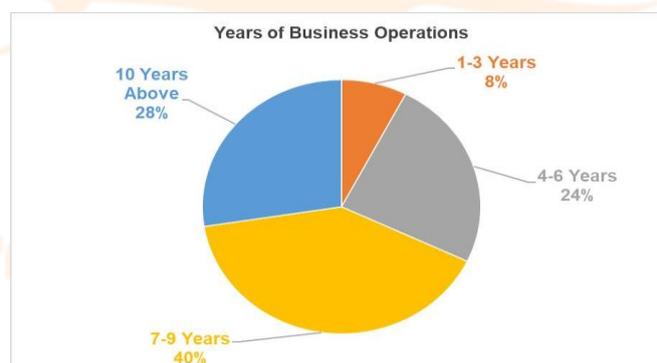


Figure 5. Distribution of SMEs' Business Characteristics in terms of Years of Business Operation

According to the data, 40% of small and medium-sized enterprises (SMEs) have been in operation for 7-9 years, while 28% have been in operation for 10 years or longer. A substantial proportion of 24% of small and medium-sized enterprises (SMEs) have been in operation for 4-6 years, while 8% have been in operation for 1-3 years. The result implies that SMEs' capacity to adjust to changes in the business environment, such as the implementation of the TRAIN Law, may be influenced by the diversified variety of business operations periods. The relationship between taxes and the performance of SMEs depends on the country's economic conditions, and the length of business operation may be a critical factor in this relationship (Roman et al. 2022).

The impact of the TRAIN Law, which is designed to simplify, equitable, and efficient the tax system (Feniz et al. 2022), on small and medium-sized enterprises (SMEs) may vary based on their years of business operation. SMEs that have been in business for longer periods may be more resilient to changes in the tax regime, whereas those that have been in business for shorter periods may be more vulnerable.

In general, the results indicate that the capacity of small and medium-sized enterprises (SMEs) in South Cotabato to adjust to the modifications introduced by the TRAIN Law may be influenced by the diverse variety of business operation periods.

Business Ownership Structure

Figure 6 illustrates the ownership structure distribution of SMEs' business characteristics. The table displays SMEs' frequency and percentage distribution based on their ownership structure, which is categorized into three.

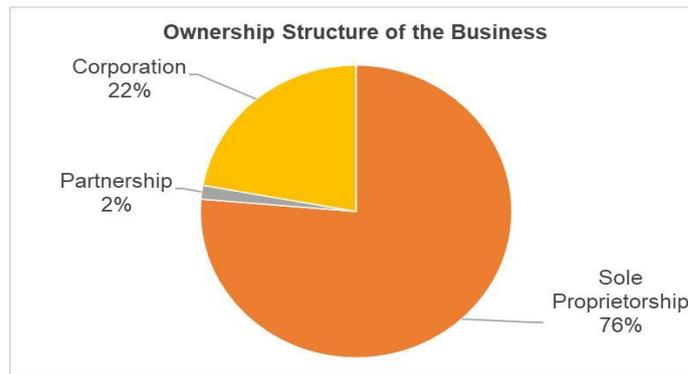


Figure 6. Distribution of SMEs' Business Characteristics in terms of Ownership Structure of the Business

The data indicates that most SMEs in South Cotabato are registered as sole proprietorships comprising the plurality of (76%), followed by the corporations at 22%, and 2% of small and medium-sized enterprises (SMEs) are registered as partnerships. The result implies that small and medium-sized enterprises (SMEs) are primarily sole proprietorships which implies that this ownership is easy to establish because it allows SMEs to make decisions without consulting others if they have their start-up capital (Ong, 2016). That in general, may affect SMEs' capacity to adjust to changes in the business environment, such as establishing the TRAIN Law. Perez (2020) posits that tax avoidance can be achieved by employing the appropriate strategy and application, and the ownership structure of SMEs may be a critical factor in this strategy.

Implementing the TRAIN Law, designed to simplify the tax system and alleviate the tax burden on taxpayers (Department of Finance, 2018), may have varying effects on SMEs based on their ownership structure. Corporations may be more resilient than sole proprietorships in the face of changes in the tax regime. Overall, the findings suggest that SMEs in South Cotabato are predominantly sole proprietorships, which may influence their ability to adapt to the changes introduced by the TRAIN Law.

Type of Business Industry

The distribution of SMEs' business characteristics in terms of the business industry category is revealed by the data depicted in Figure 7. The table displays SMEs' prevalence and percentage distribution based on their business industry, which is categorized into six categories.

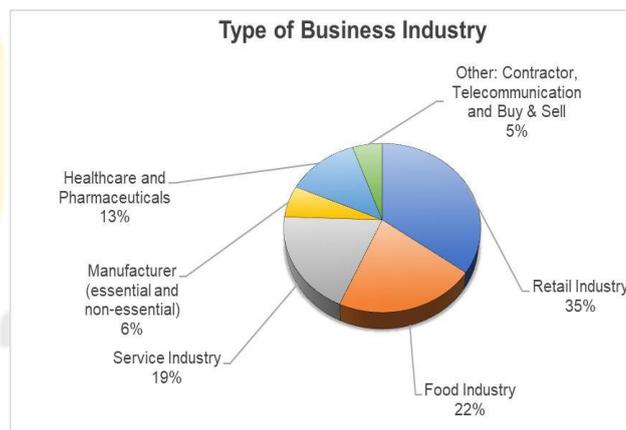


Figure 7. Distribution of SMEs' Business Characteristics in terms of Type of Business Industry

Data reveals that many SMEs (35%) are in the retail industry, followed by the food industry (22%), the service industry (19%), and healthcare and pharmaceuticals (13%). A small percentage (6%) of SMEs are in the manufacturing industry, while 5% are classified as "other" industries. It implies that SMEs are predominantly engaged in retail, food, and service industries, which may be more vulnerable to changes in consumer behavior and market trends. According to a study by CISA (2020), food is considered part of a nation's critical infrastructure along with healthcare, energy, and communication sectors. It is supported by

the study of Goodwill et al. (2020), that SMEs in these industries may be more susceptible to the negative effects of the TRAIN Law, such as increased operating costs and reduced profit margins.

Conversely, small and medium-sized enterprises (SMEs) in the manufacturing sector may be more adaptable to fluctuations in the business environment as they are less reliant on consumer behavior and market trends. Nevertheless, they may continue to be impacted by changes in the tax regime, such as the heightened tax incidence on basic materials and equipment (Department of Finance, 2018).

In general, the results indicate that small and medium-sized enterprises (SMEs) in South Cotabato are involved in various industries, which may have varying implications for their capacity to adjust to the modifications introduced by the TRAIN Law.

Business Type

The distribution of the business characteristics of SMEs in terms of business category is illustrated in figure 8. The table displays SMEs' incidence and percentage distribution based on their business category, divided into two categories: value-added tax (VAT) and non-value-added tax (Non-VAT).

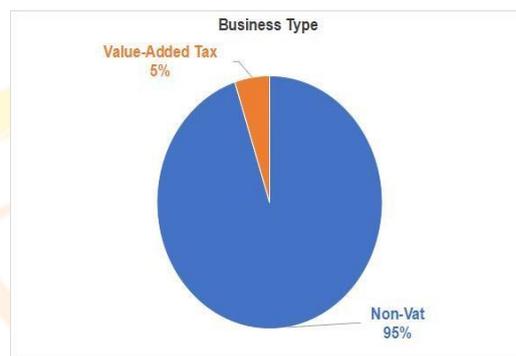


Figure 8. Business Characteristics of SMEs in terms of Business Type

Data reveals that most SMEs (95%) are registered as value-added tax (VAT) entities, while 5% are non-VAT entities. All medium-sized enterprises are registered as VAT entities.

The findings suggest that SMEs are predominantly registered as VAT entities, which may have implications for their tax compliance and payment obligations. According to Martinez (2023), VAT registration is mandatory for businesses with an annual gross sale of PHP 3 million. SMEs registered as VAT entities may be more likely to experience increased tax burdens and compliance requirements, affecting their financial performance and competitiveness.

Non-VAT entities, on the other hand, may have lower tax burdens and compliance requirements but also limited access to tax incentives and benefits. According to Tee et al. (2016), the tax system can significantly impact SMEs' financial performance and growth, and SMEs must carefully consider their tax obligations and compliance requirements to remain competitive.

Overall, the findings suggest that SMEs in South Cotabato are predominantly registered as VAT entities, which may have varying implications for their tax compliance and payment obligations.

Business Capitalization

The distribution of SMEs' business characteristics in terms of business capitalization is revealed by the data presented in Figure 9. The table displays the frequency and percentage distribution of SMEs segmented by their business capitalization, which is categorized into four categories.

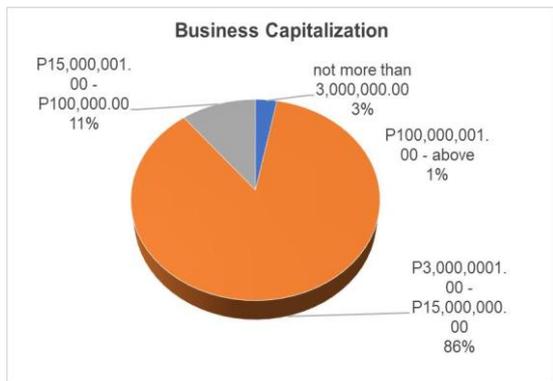


Figure 9. Business Characteristics of SMEs in terms of Business Capitalization

Figure 6 reveals that most SMEs (86%) have a business capitalization of P3,000,001.00-P15,000,000.00, indicating that most SMEs in South Cotabato operate with a moderate level of capitalization. Only 3% of SMEs have a business capitalization of not more than P3,000,000.00, while 11% have a business capitalization of P15,000,001.00-P100,000,000.00. A small percentage (1%) of SMEs have a business capitalization of P100,000,001.00 -above.

The findings suggest that SMEs are characterized by a moderate level of business capitalization, which may indicate a relatively stable financial position. Most SMEs operating with a moderate level of capitalization may have a better capacity to absorb the impact of the TRAIN Law on their business operations (Eubious, 2021). Nevertheless, the TRAIN Law may be more detrimental to the small percentage of SMEs with low business capitalization (not exceeding P3,000,000.00). It is supported by the study of Hashemi (2013), that SME’s must find an appropriate capital structure.

On the other hand, SMEs capitalization may vary based on their respective business capitalization. SMEs with higher business capitalization may be more resilient to the changes introduced by the TRAIN Law. In comparison, those with lower business capitalization may need to adjust their business strategies to cope with the new tax regime.

Overall, the findings suggest that SMEs in South Cotabato are characterized by a moderate level of business capitalization, which may influence their ability to adapt to the changes introduced by the TRAIN Law.

Estimated Monthly Gross Sales

The business characteristics of SMEs in terms of estimated monthly gross sales are revealed by the data presented in Figure 10. The table displays SMEs' frequency and percentage distribution in seven categories based on their estimated monthly gross sales.



Figure 10. Business Characteristics of SMEs in terms of Estimated Monthly Gross Sales

Data revealed that many SMEs (35%) have an estimated monthly gross sale of P500,000.00 - P2,500,000.00, indicating that most SMEs in South Cotabato operate with a moderate level of sales. A significant percentage (27%) of SMEs have an estimated monthly gross sale of P5,000,001.00 - P7,500,000.00, while 21% have an estimated monthly gross sale of P2,500,001.00 - P5,000,000.00. Followed by 11% of SMEs’ income ranges from P7,500,001.00-P10,000,000.00. And 4% of SMEs’ monthly gross income ranging from P15,000,001.00-above this business sector belongs to medium enterprises who engage in the construction service industry. And lastly for both categories, 1% has a monthly income of P10,000,001.00-P12,500,001.00

The findings suggest that SMEs are characterized by a moderate estimated monthly gross sales level, which may indicate a relatively stable financial position. According to Bossart (2022), gross income is an important financial metric that SMEs can use to calculate other figures and determine how their business is doing. The average revenue of a small firm in the United States is \$53,000, and 81% of US SMEs have no employees. However, the average revenue for a business with employees ranges from \$387,000 to \$40.7 million, depending on the number of employees (Flynn, 2023).

The impact of the TRAIN Law, which implemented modifications to the personal income tax, estate tax, donor's tax, value-added tax, documentary stamp tax, and excise tax (Eubious, 2021), on SMEs may vary based on their estimated monthly aggregate sales. SMEs with higher estimated monthly gross sales may be more resilient to the changes introduced by the TRAIN Law. In comparison, those with lower estimated monthly gross sales may need to adjust their business strategies to cope with the new tax regime.

Overall, the findings suggest that SMEs in South Cotabato are characterized by a moderate level of estimated monthly gross sales, due to the fact that South Cotabato is not fully urbanized localities, and SME's monthly gross income are dependent on the income or compensation of individual in South Cotabato which is majority of customer here in South Cotabato are minimum wage earner. And due to the fact that South Cotabato is a farm land sector which in this case may influence the SME's ability to adapt to the changes introduced by the TRAIN Law.

Type of Taxes Paid

The business characteristics of SMEs in terms of the category of taxation paid are revealed by the data presented in Figure 11. The table displays the frequency and percentage distribution of SMEs based on the form of taxes they pay, which are categorized into six categories.

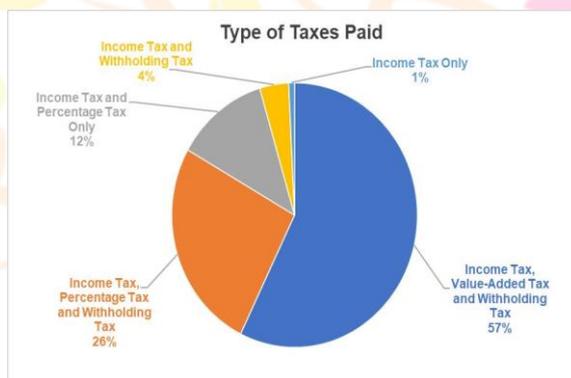


Figure 11. Business Characteristics of SMEs in terms of Type of Taxes Paid

The data indicates that most small and medium-sized enterprises (57%) are subject to income tax, value-added tax, and withholding tax, while (26%) are subject to income tax, percentage tax, and withholding tax. A significant proportion of SMEs (12%) pay income tax and percentage tax only, while 4% pay income tax and withholding tax. Only 1% of SMEs pay income tax, and none pay withholding tax. These taxes may opt by the SME's is based on their certificate of registration issued by the Bureau of Internal Revenue.

The findings suggest that SMEs are characterized by a diverse range of tax obligations, which may influence their financial performance and ability to adapt to changes in the tax regime. According to Marchese (2020) SMEs play a role in encouraging enterprise formalization and growth. Hence it is supported by Tee et al. (2016), emphasized that taxation is the central tool for the operation of a business. However, the study also notes that the relationship between taxes and the performance of SMEs depends on the country's economic conditions.

The impact of the TRAIN Law, which alters the personal income tax, estate tax, donor's tax, value-added tax, documentary stamp tax, and excise tax on SMEs, may vary depending on the taxes they pay (Eubious, 2021). Small and medium-sized enterprises (SMEs) that pay multiple taxes may be more resilient to the changes introduced by the TRAIN Law. In contrast, those who pay fewer taxes may need to modify their business strategies to accommodate the new tax regime.

In general, the results indicate that the tax obligations of small and medium-sized enterprises (SMEs) in South Cotabato are diverse, which may affect their capacity to adjust to the modifications implemented by the TRAIN Law.

Extent of the implementation of TRAIN Law

The extent of the TRAIN Law implementation in terms of Collection Policy is presented in Table 4. The table shows the mean and standard deviation (SD).

Table 4. Extent of the implementation of the TRAIN Law in terms of Collection Policy

Indicators Ratings	Mean	SD	Interpretations
1. The government's approach in implementing online tax payment results in your updated taxpayment.	3.45	0.58	Salient provisions of TRAIN Law relative to SMEs' business operations are fullyimplemented.
2. The imposition of TRAIN Law adjusted personal income tax rates as it makes the tax system simpler, fairer, and more efficient and helps SMEs with lowerincome rates.	3.36	0.63	Salient provisions of TRAIN Law relative to SMEs' business operations are fully implemented.
3. The RA10963 SMEs personal income taxes address the inequality of the tax system in terms of collection.	3.10	0.67	Salient provisions of TRAIN Law relative to SMEs' business operations areimplemented.
4. Under the new tax code of RA 10963 SMEs' Delinquency and deficiency interests is not imposed simultaneously.	3.01	0.65	Salient provisions of TRAIN Law relative to SMEs' business operations areimplemented.
5. SMEs are usually informed of their tax compliance duties.	3.10	0.67	Salient provisions of TRAIN Law relative to SMEs' business operations areimplemented. Salient provisions of TRAIN Law relative to SMEs' business operations are fully implemented.
6. You been active in paying your taxes to avoid penalty.	3.26	0.68	Salient provisions of TRAIN Law relative to SMEs' business operations areimplemented.
Mean:	3.21	0.65	Law relative to SMEs' business operations areimplemented.

The data indicates the extent of the implementation of TRAIN Law in terms of collection policy is implemented ($M=3.21$, $SD=0.65$). This means that the government's approach to the implementation of online tax payment will result in updated SME's tax payment of their tax obligations. Indicating that the implementation of TRAIN Law makes the tax system simpler, fairer, and more efficient and helps SMEs with lower income tax rates. It is supported by the study of Gale, (2014) stating that tax changes have a bigger effect on long-term economic development. Moreover, Legaspi (2023) states that based on taxpayer's perspectives on whether the legislation and implementation of the TRAIN Law first package such as an increase in personal income tax rate, have truly resulted in positive outcomes for economic prosperity and increased social status of SMEs. But despite these positive results, there is room for improvement particularly in the SMEs' Delinquency and deficiency interests are not imposed simultaneously with the lowest rate of ($M=3.01$, $SD=0.72$).

Moreover, the extent of the TRAIN Law implementation in terms of Business Tax is presented in Table 5. The table shows the mean and standard deviation (SD).

Table 5. Extent of the implementation of the TRAIN Law in terms of Business Tax

Indicators Ratings	Mean	SD	Interpretations
1. Your business acquires benefits under the Train law VAT Zero-rated on sales of your goods or 3.41 services.			Salient provisions of TRAIN Law relative to SMEs' 0.65 business operations are fully implemented.
2. You or your business is availing quarterly paying VAT and or TAX returns or every closing of 3.44 taxable quarter.			Salient provisions of TRAIN Law relative to SMEs' 0.63 business operations are fully implemented.
3. You are able to avail a 90-day deadline to process VAT claims, which begins when the application is filed with complete papers that have been received and applied prospectively 2.99	2.99	0.6	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
4. You are aware that upon failure to provide and exhibit accounting records will result in the application being rejected and VAT claims being denied.			Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
5. TRAIN Law system helps business grow through lower tax rate.	3.00 2.81	0.72 0.78	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
Mean:	2.53	0.68	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.

In table 5. data shows the overall mean on the extent of TRAIN Law implementation in terms of business tax ($M=2.53$, $S=0.68$) is implemented. This data shows that the government's approach to the implementation of TRAIN has a bigger impact on SMEs in paying their Value Added Tax and or tax obligations every quarter following to the closing of the taxable period with a uniform rate of 12%. While in these regards according to the Bureau of Internal Revenue Tax Code, SMEs benefit more if their businesses are registered as Value-Added Tax either in goods/services are exempt, SMEs can transfer to VAT-Exempt by paying their VAT- able inputs forwarded to their purchasers. At the same time, intermediate users of VAT-exempt goods and all producers/sellers along the production-distribution chain will see their output prices rise. But despite this implementation regarding availing the VAT rate and paying their tax obligations quarterly. There is room for improvement, particularly there are some SMEs do not believe that the TRAIN Law system helps businesses grow through lower tax rates ($M=2.81$, $S=0.78$). This is supported by the study of Boco et al. (2019), whose phenomenological research reveals that TRAIN Law implementation impacts a person's mental health and well-being, such as anxiety, stress, and sadness caused by financial problems due to the price increase of basic commodities and consumptions. Additionally, Nnam et al. (2022), study shows that taxation methods impact the growth of SMEs' business operations, with particular emphasis on whether multiple payment obligations imposed on SMEs have significant implications for their profitability, investment decisions, and cash flows.

Furthermore, the extent of the TRAIN Law implementation in terms of Exemptions is presented in Table 6. The table shows the mean and standard deviation (SD).

Table 6. Extent of the implementation of the TRAIN Law in terms of Exemptions

Indicators Ratings	Mean	SD	Interpretations
1. You are able to avail Exemptions on tax .	2.95	0.72	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
2. De minimis of P90,000 has a big help on your employees.	3.33	0.66	Salient provisions of TRAIN Law relative to SMEs' business operations are fully implemented. Salient provisions of TRAIN Law
3. TRAIN Law P250,000.00 standard deductions provided by the National Government to mixed-income earners is justifiable.	3.23	0.71	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
4. You and or your business is enjoying income Tax holiday.	2.50	0.85	Salient provisions of TRAIN Law relative to SMEs' business operations are moderately implemented. Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.
5. Your business provided a 5% or 20% discount to individuals with disabilities and the elderly.	3.16	0.70	
Mean:	2.53	0.73	Salient provisions of TRAIN Law relative to SMEs' business operations are implemented.

Data shows the overall mean on the extent of TRAIN Law implementation in terms of exemptions (M=2.53, S=0.73) is implemented. This data shows that the government's approach to the implementation of TRAIN Law by lowering individual tax rates, particularly on self-employed income earners whose gross income does not exceed P250,000.00 are exempt from paying taxes. Additionally, the treatment of de minimis benefits for employees' non-taxable compensation does not exceed P90,000.00 and is exempt from paying taxes is a big help for individual earners to increase their take-home pay salary (Respicio & Co., 2023). However, there is room for improvement, particularly in availing the income tax holiday has the lowest mean (M=2.50, S=0.85) moderately implemented. Due to excessive and reportorial requirements needed for the tax exemptions, particularly on income tax holidays, SMEs hesitate to avail and apply this kind of exemption, particularly for Value-Added taxpayers claiming exemptions for their VAT-able inputs frequently necessitates adhering to strict conditions and, in some cases, submitting specific forms or documents.

Furthermore, the summary of the extent of the TRAIN Law implementation among SMEs in South Cotabato. Table 7. Shows the mean and standard deviation (SD) which are categorized into three components: Collection Policy, Business Tax, and Exemptions.

Table 7. Summary of the Extent of Implementation of TRAIN Law

Extent of Implementation	Means	SD	Interpretations
Salient provisions of TRAIN Law Collection Policy		3.21	0.65 relative to SME's business operation are implemented.
Business Tax		2.53	0.68 business operations are implemented. Salient provisions of TRAIN Law relative to SME's business operation are implemented.
Exemptions		2.53	0.73 Salient provisions of TRAIN Law relative to SME's business operation are implemented.
Overall Mean:		2.75	0.68

The data analysis indicates that the TRAIN Law's overall mean of 2.75 with a standard deviation of 0.68 indicating that the salient provisions of TRAIN law relative to SME's business operation are implemented, particularly on the collections policy

which is the government approach to implementing online tax payments may result on SMEs updated tax payment. The results indicate that the TRAIN Law is generally implemented, as evidenced by a mean score exceeding 2.75, indicating that the government approach regarding the implementation of TRAIN Law adjusted personal income tax rates as it makes the tax system simpler, fairer, and more efficient and helps SME's with lower income rates.

The results indicate that small and medium-sized enterprises (SMEs) in South Cotabato comprehensively comprehend the TRAIN Law and its provisions, particularly regarding business tax and collection policy. The TRAIN Law is designed to alleviate the tax burden on SMEs and simplify the tax system, as stated by the Department of Finance (2018). Effective implementation of the TRAIN Law may positively impact SMEs' financial performance and development.

However, the results also suggest that there is room for improvement, particularly in terms of exemptions. SMEs may need to be more aware of the tax exemptions available under the TRAIN Law and take advantage of these incentives to reduce their tax burden and increase their competitiveness particularly since most SMEs in South Cotabato are not fully aware of income tax holidays.

The extent of business operations of SMEs in terms of pricing strategy

The extent of SMEs' Business Operations in terms of Pricing Strategy is presented in Table 8. The table shows the mean and standard deviation (SD).

Table 8. The extent of business operations of SMEs in terms of pricing strategy

Indicators Ratings	Mean	SD	Interpretations
1. The pricing strategy in our business is fully aligned with the guidelines set forth in the TRAIN Law.	3.07	0.57	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
2. All aspects of the pricing structure have been adjusted to comply completely with the provision of the TRAIN Law.	3.07	0.53	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
3. Pricing decisions is dependent on the taxes paid	2.99	0.59	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
4. Every element of our pricing strategy has been fully integrated to adhere to the principles outlined in the TRAIN Law.	3.08	0.55	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
5. Our pricing strategy is fully in line with intended objectives of TRAIN Law.	3.10	0.56	
Mean:	3.06	0.56	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a high extent of pricing strategy ($M=3.06$, $S=0.56$), indicating that the TRAIN Law provision is aggressively implemented and has a significant impact on the shaping of their business operations. The data also shows that SME's pricing strategy is fully aligned with the TRAIN Law's intended objectives ($M=3.10$, $S=0.56$), and that their pricing decisions are influenced by the taxes paid. It is supported by the study of Dimalanta et al. (2018), the study revealed that the implementation of the TRAIN Law significantly impacted SME's pricing strategy because most businesses increased total purchases due to an increase in the unit purchase price. It is the primary reason businesses were compelled to raise

their selling prices, and the repercussions have been unequal, with some suffering a loss in sales and being forced to modify their strategy by offering discounts or extending their promotional activities.

The extent of SMEs' Business Operations in terms of employee benefits is presented in Table 9. The table shows the mean and standard deviation (SD).

Table 9. The extent of business operations of SMEs in terms of employee benefits

Indicators Ratings	Mean	SD	Interpretations
1. In significance on the implementation of TRAIN Law employee benefits such as the 13th-month pay is exempted from paying withholding tax compensation.	3.32	0.71	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
2. All employee benefits of our firm have been fully adjusted to comply with the TRAIN Law implementations.	3.27	0.64	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
3. De minimis benefits serve great deal to employees.	3.25	0.71	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
4. The TRAIN Law has been fully considered in the design and execution of our employee benefits package.	3.05	0.64	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
5. Our organization has successfully implemented the TRAIN Law, as evidenced by its total influence on our employees' benefit programs.	3.04	0.57	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
Mean:	3.19	0.65	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a high extent of implementation in terms of exemptions ($M=3.19$, $S=0.65$), which suggests that the TRAIN Law provision is actively applied and significantly influences the shaping of SME business operations. The results indicate that the TRAIN Law's implementation of employee benefits, such as the exemption from paying withholding tax compensation for the thirteenth month's pay ($M=3.32$, $S=0.71$), is having a significant positive impact on individual employees' take-home pay. According to the BIR database, this equates to 943,967 salaried workers, or 13.48 percent. It equates to monthly taxable income ranging from P21,000 to P170,000 (Department of Finance, 2018). However, there is room for improvement, particularly in the influence of TRAIN Law in every small organization or entity even the 13th-month pay is exempt from paying taxes. SME organizations have still struggled to cope with the mandatory requirements set forth by the national and local governments to avoid sanctions and penalties that may arise.

The extent of SMEs' Business Operations in terms of Pricing Strategy is presented in Table 10. The table shows the mean and standard deviation (SD).

Table 10. The extent of business operations of SMEs in terms of profitability

Indicators Ratings	Mean	SD	Interpretations
1. SME capital is proportion to the value of income received (ROI).	2.93	0.69	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
2. Your gross margin level increased since the Train Law system was implemented.	2.75	0.75	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
3. Your company's annual gross profits remain consistent.	2.72	0.74	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
4. The current taxation create a higher business return on value.	2.73	0.76	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
5. The SMEs expansion of the business has continued since the TRAIN Law was implemented.	2.79	0.80	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
Mean:	2.78	0.75	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations

Data show the extent to which TRAIN Law implementation has affected the profitability of SMEs' business operations ($M=2.78$, $S=0.75$). It demonstrates that the TRAIN Law provision is being rigorously enforced and has a substantial impact on the structure of their corporate operations. According to Dimalanta et al. (2019), most firms increased their overall purchases after the TRAIN Law went into force because the purchase price per unit increased. Furthermore, SME capital is proportional to the value of revenue obtained (ROI) ($M=2.93$, $S=0.69$), according to Damasig and Damasig (2022). Research indicates that the influence of TRAIN Law may be evident in an increase in product pricing due to operating costs. It is the primary reason businesses were compelled to increase their selling prices, and the results have been varied, as some saw a decline in sales and were obliged to alter strategy by giving discounts or expanding their promotional efforts. Due to this fact, SMEs' annual gross profits remain consistent ($M=2.72$, $S=0.74$) indicating that the implementation of TRAIN Law has a significant impact on their profitability and there is room for improvement regarding the implementation.

The extent of SMEs' Business Operations in terms of Customer Benefits is presented in Table 11. The table shows the mean and standard deviation (SD).

Table 11. The extent of business operations of SMEs in terms of customer benefits

Indicators Ratings	Mean	SD	Interpretations
1. Our company can offer a different range of prices	3.33	0.65	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
2. Our company has modified its business operations in response to the TRAIN Law, in order to lower down input expenses.	3.30	0.64	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
3. We usually offer freebies and discounts on our products and services.	3.25	0.69	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
4. Our Company followed the price index given by the Department of Trade and Industry if necessary.	3.33	0.58	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
5. Our Company has offered free delivery services for our clients with minimum orders within the vicinity area.	3.31	0.6	The implementation of the TRAIN
Mean:	3.30	0.63	Law provisions is very aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a very high extent of implementation in terms of customer benefits ($M=3.30$, $S=0.63$), which suggests that the TRAIN Law provision is actively applied and significantly influences the shaping of SME business operations. SMEs can offer a different range of prices ($M=3.33$, $S=0.65$). Wherein, creating and keeping client loyalty has become a priority in today's service industries. According to recent research, consumers' worth to a company varies; hence, customer retention and loyalty-building activities should be oriented at something other than a company's customers. Moreover, SME companies can offer freebies and discounts on their products and services ($M=3.25$, $S=0.69$). Given these points of view, it is becoming increasingly important for businesses to comprehensively understand their customer base. However, there is room for improvement in giving promotional activities given by the SMEs to their local customers. According to Reynolds et al. (2014), recent knowledge needs to be improved in providing firms with insights into the differences within their customer base.

The extent of SMEs' Business Operations in terms of filing of tax is presented in Table 12. The table shows the mean and standard deviation (SD).

Table 12. The extent of business operations of SMEs in terms of filing of tax

Indicators Ratings	Mean	SD	Interpretations
1. SMEs thoroughly understand the tax rate specified in TRAIN Law for their compliance requirements.	3.02	0.59	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
2. SMEs can pay their tax obligations using Etax and other online platforms.	3.30	0.63	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
3. Graduated tax or optional 8 % tax has its own do's and don'ts.	3.32	0.58	

4. Our firm took advantage of the reductions in tax rates from 20% to 15% over the previous tax system, which is beneficial because the high inflation rate is growing.	3.37	0.66	The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
5. The TRAIN Law has enhanced the approach to filing taxes, resulting in a thorough implementation.	3.04	0.54	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
Mean:	3.21	0.60	Law provision is aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a high extent of implementation in terms of filing of tax (M=3.21, S=0.60), which suggests that the TRAIN Law provision is actively applied and significantly influences the shaping of SME business operations. SMEs in particular, took advantage of the reductions in tax rates from 20% to 15% over the previous tax system, which is beneficial because the high inflation rate is growing (M=3.37, S=0.66). It is supported by the study of Dimalanta et al. (2018), that TRAIN Law expanded its implementation, particularly in reducing personal income taxes for Filipinos, with those earning less than P20,000 and below being exempt from paying taxes. Those individual employees earning more than P500,000.00 increase compared to the previous tax table. In addition, following the passage of RA 10963 (TRAIN) Law Act, the government eliminated VAT exemptions to compensate for decreased personal income taxes, and VAT inclusions have been broadened. However, there is room for improvement particularly SMEs must thoroughly understand the tax rate specified in TRAIN Law for their compliance requirements (M=3.02, S=0.59).

The extent of SMEs' Business Operations in terms of innovations is presented in Table 13. The table shows the mean and standard deviation (SD).

Table 13. The extent of business operations of SMEs in terms of innovations

Indicators Ratings	Mean	SD	Interpretations
1. The TRAIN Law has been fully leveraged to drive innovations throughout the business leading to the development of new ideas and strategies especially in pricing.	3.11	0.59	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
2. TRAIN Law offered SMEs to discover new ideas and opportunities in engaging business operations.	3.09	0.55	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
3. SMEs rely substantially on encouraging entrepreneurial activities and attractive tax policies to foster innovation, as described in the TRAIN Law.	3.04	0.62	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
4. The increase on excise tax rate will also help our company to discover new things and ideas by innovating our products produce into a eco-friendly materials.	3.09	0.55	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
5. The increase of excise tax on sweetened products will help our company to motivates innovation to produce sucrose alternatives.	2.95	0.75	
Mean:	3.06	0.61	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a high extent of implementation in terms of innovations (M=3.06, S=0.61), which suggests that the TRAIN Law provision is actively applied and significantly influences the shaping of SME business operations. In particular, SMEs have been fully leveraged to drive innovations throughout the business leading to the

development of new ideas and strategies especially in pricing ($M=3.11$, $S=0.59$). It is supported by the study of Potjanajaruwit (2021), which examines the specific sorts of operations, the total distribution of products to customers, and meeting client wants with the flexibility of small and medium companies. However, notwithstanding the extent to which the TRAIN Law has been implemented, the effect of specific products, particularly sweetened products and excise tax. The additional excise tax on sweetened products will encourage SMEs' to innovate and produce sucrose alternatives ($M=2.95$, $S=0.75$). In addition, improving SMEs' innovation of their products and services has been regarded as impacting tax compliance according to Hedlund (2019), the quality of new ideas generates income taxes and significantly impacts innovations.

The extent of SMEs' Business Operations in terms of productivity is presented in Table 14. The table shows the mean and standard deviation (SD).

Table 14. The extent of business operations of SMEs in terms of productivity

Indicators Ratings	Mean	SD	Interpretations
			The implementation of the TRAIN
1. Our company's business operations can produce more products with less cost.	2.97	0.67	Law provision is aggressively and highly impacted the shaping of our business operations
2. Our company has seamlessly integrated the TRAIN Law into our operations, resulting in increased productivity across various departments.	3.07	0.53	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations The implementation of the TRAIN Law provisions is very aggressively and highly impacted the shaping of our business operations
3. Our company has sold products and services in the market at fair prices.	3.27	0.51	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
4. Our company produces a good quality product beneficial to society's need and wants.	3.24	0.51	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations
5. Our companies create more job opportunities and employed more employees.	3.08	0.53	
Mean:	3.13	0.55	The implementation of the TRAIN Law provision is aggressively and highly impacted the shaping of our business operations

The data shows that SME business operations have a high extent of implementation in terms of productivity ($M=3.13$, $S=0.55$), which suggests that the TRAIN Law provision is actively applied and significantly influences the shaping of SME business operations. SMEs have sold products and services in the market at fair prices ($M=3.27$, $S=0.51$) demonstrating that despite the TRAIN Law being implemented and affecting products and services, SMEs continue to produce and sell their products at fair prices, as implemented by the Department of Trade and Industry (DTI), Ugur and Vivarelli (2020) emphasize the effects of innovation on firm survival and productivity, the two primary avenues through which innovation generates growth. However, SMEs' business operations can produce more products with less cost and have the lowest mean ($M=2.97$, $S=0.67$) indicating that despite the SMEs can produce more products and services with less cost they have adjusted their pricing strategy by offering discounts or extending their promotional activities (Dimalanta et al. (2018).

The data presented in table 15 summarizes the extent of SMEs' business operations in South Cotabato. The table shows the key result areas' mean and standard deviation (SD), including pricing strategy, employee benefits, profitability, customer benefits, filing of taxes, innovations, and productivity.

Table 15. Summary of the extent of the business operations of SMEs

Key Result Areas	Means	SD	Qualitative Description
Pricing Strategy	3.06	0.56	Moderate (fairly aggressive)
Employee Benefits	3.19	0.65	Moderate (fairly aggressive)
Profitability	2.78	0.75	Moderate (fairly aggressive)
Customer Benefits	3.30	0.63	Moderate (fairly aggressive)
Filing of Tax	3.21	0.60	Moderate (fairly aggressive)
Innovations	3.06	0.61	Moderate (fairly aggressive)
Productivity	3.13	0.55	Moderate (fairly aggressive)
Overall Mean	3.10	0.62	Moderate (fairly aggressive)

The data analysis reveals that the overall mean of the extent of SMEs' business operation is 3.10, with a standard deviation of 0.62. The results suggest that SMEs in South Cotabato have moderate levels of business operations, with mean scores ranging from 2.78 to 3.30. Furthermore, the mean scores fall within the moderate range, indicating that the implementation of TRAIN law provisions is moderate (fairly aggressive).

The findings suggest that SMEs have moderate business operations, indicating that they can generally manage their pricing strategies, employee benefits, profitability, customer benefits, filing of taxes, innovations, and productivity. However, there is room for improvement in these areas to achieve higher levels of business performance particularly in business innovations, and pricing strategy in order to increase their business profitability.

The moderate levels of business operations among SMEs in South Cotabato may be attributed to various factors such as regulatory licenses and taxes, increased production and manufacturing costs, poor managerial skills, and a lack of innovation and creativity in the business field (Chowdhury et al. 2015). Moreover, an additional factor includes the impact of the TRAIN Law on SMEs' pricing strategies and business profitability (Dimalanta et al. 2018).

Overall, the findings suggest that SMEs in South Cotabato must improve their business operations to achieve higher performance and competitiveness.

Growth Rate

The data in Table 16 shows the trends of taxes collected in different tax types by the Bureau of Internal Revenue (BIR) for taxable years 2022 and 2021 in billion-pesos including the percentage growth rate.

Table 16. Total Tax Revenue Collected by the BIR in the Philippines in 2021 and 2022

Particulars	2021	2022	Difference	Growth Rate
Excise tax collections with VAT	189.6	214.1	24.5	12.92%
<i>Petroleum products</i>	119.8	132.6	12.8	10.70%
<i>Automobiles</i>	5.4	11.8	6.4	119.20%
<i>Sweetened beverage</i>	39.3	44.3	5	12.60%
<i>Tobacco</i>	15.3	15.7	0.04	2.50%
<i>Other (Coal, mining, and cosmetic procedures)</i>	9.8	9.7	-0.1	-1%
VAT	8.5	6.3	(2.1)	(-25.2)%
PIT	(77.1)	(51.1)	26.1	(33.8)%
Others	50.0	47.1	(2.9)	-5.80%
<i>Corporate Income Tax (PCSO)</i>	0.8	1.0	0.02	27.50%
<i>Financial taxes</i>	3.7	2.8	-0.9	-23.80%
<i>Estate tax</i>	-5.9	-10.0	-4	68.80%
<i>Donor's tax</i>	-4.2	-5.6	-1.4	32.60%
<i>Documentary stamp tax</i>	46.6	58.8	12.2	26.10%
<i>Fuel marketing (excise tax adn VAT on excise)</i>	9.0	0.0	-9	-100.00%
SUB-TOTAL: TRAIN 1A	171.0	216.5	45.5	26.60%
Tax amnesty on delinquencies	1.1	0.0	-1.1	-100.00%
Tax amnesty on estate	3.6	1.4	-2.2	-61.90%
SUB-TOTAL: TRAIN 1B	4.6	1.4	-3.3	-70.50%
Excise tax on tobacco products with VAT	28.9	36.5	7.5	26.10%
Excise tax on alcohol products with VAT	25.9	31.8	6.0	23.00%
Excise tax on E-cigarettes with VAT	0.3	0.6	0.3	107.00%
VAT exemptions on medicines	-2.2	-3.5	-1.4	62.60%
SUB-TOTAL: TRAIN P2PLUS	52.9	65.3	12.4	23.50%
GRAND TOTAL TRAIN 1A, 1B, AND P2+	228.5	283.2	54.6	23.90%
Reduction in CIT rates and others	-51.1	-59.2	-8.0	15.70%
VAT	0.0	0.0	-	-
Percentage tax	-16.9	-21.2	-4.3	26.60%
CREATE	-68.0	-80.4	-12.4	18.20%
GRAND TOTAL TRAIN 1A, 1B, P2+, and CREATE	160.5	202.8	42.3	26.30%

Sources: BIR and BOC

The findings show that the Comprehensive Tax Reform Program (CTRP) particularly on the TRAIN Law packages significantly impacts the Bureau of Internal Revenue's revenue collection activities, regarding tax collection.

In 2022, the BIR reported on the revenue effect.

Regarding the CTRP. This was calculated by taking the difference. Between the expected tax revenue under the Tax reform and collection from 2021 to compute the growth rate and the difference between the prior year.

This finding is supported by the literature review regarding the recent research that indicates that the incorporation of businesses is stimulated by modifications that decrease business taxes, which in turn enhances overall productivity and growth. Incorporation can alleviate financial constraints and enable companies to allocate additional capital (Chen et al, 2020). Likewise, according to Dyrda and Pugsley (2019), the importance of tax reform structure is underscored by the most recent research by economists

According to entrepreneurs' perspectives on operational strategies that drive the expansion of small and medium-sized enterprises (SMEs) into a creative economy are also relevant to the expansion of businesses. The SME's business empowerment will drive economic growth. In contrast, regional economic growth policies supported by modern technology will accelerate and encourage SMEs to increase their productivity, particularly in community-developed economic enterprises (Potjanjaruwit, 2021).

Relationship between the extent of the implementation of TRAIN Law and the SMEs' business operations in South Cotabato

The researcher correlated the extent of the implementation of TRAIN Law with the SMEs' business operations in South Cotabato to determine if there is a significant relationship between these variables.

Table 17 shows the correlation coefficients between various aspects of SMEs' business operations and three key elements of the TRAIN Law implementation: collection policy, business tax, and exemptions. These correlations help us understand the relationship between the tax reform and its impact on SMEs.

Table 17. Correlational Analysis between the SME business operation and the SME business characteristics Collection Policy

Business Tax	Exemptions		Overall TRAIN Law Implementation	
Employees benefits	0.528	0.462	0.581	0.606
Filing of tax	0.225	0.396	0.249	0.333
Pricing strategy	0.342	0.392	0.464	0.460
Profitability	0.412	0.463	0.438	0.505
Customer benefits	0.461	0.400	0.497	0.523
Innovations	0.338	0.498	0.451	0.494
Productivity	0.270	0.415	0.351	0.397
Growth	0.301	0.398	0.335	0.397
Overall SMEs Business Operations	0.490	0.591	0.568	0.634

Note. Critical r at .05 = .193

As revealed from the data presented the extent of TRAIN Law implementation has a significant but indirect relationship to the extent of SMEs' business operations with the r -value at .05=.193. Most likely, between employee benefits and collection policy ($r=0.528$) and exemptions ($r=0.581$), the data shows strong positive correlations. This finding supports the assertions in the literature review regarding the TRAIN Law's impact on take-home pay and employee benefits. As noted by the Department of Finance (2018), the TRAIN Law aimed to provide significant relief to taxpayers, particularly regarding personal income tax reductions. The strong correlation with exemptions aligns with the discussion in the literature reviewed about the tax-free status of the 13th-month pay and other bonuses up to P90,000 under the TRAIN Law.

However, the data also shows weak correlations between the filing of taxes and both collection policies ($r = 0.225$) and exemptions ($r = 0.249$). This finding is interesting when compared to the literature review in Chapter 2. While the TRAIN Law made significant changes to the tax system, including allowing self-employed individuals to be taxed at 8% of gross sales/receipts over P250,000 (Aranas, 2018), the weak correlation suggests that these changes did not significantly simplify or impact the tax filing process.

Meanwhile, the correlation between growth and collection policy is also weak ($r = 0.301$). This finding contrasts the literature reviewed in Chapter 2, which emphasized the role of SMEs in driving economic growth (Sarker et al. 2020; Yang et al. 2019). The weak correlation suggests that changes in tax collection policies may not have a strong direct impact on SMEs' growth.

The strong correlations observed in employee benefits suggest that TRAIN Law has succeeded in providing tax relief and increasing take-home pay for workers. The result aligns with the government's goal of reducing poverty and increasing long-term growth (Damasig, 2022).

However, the weak correlations in tax filing, productivity, and growth present a more complex picture. These findings suggest that while the TRAIN Law has significant changes in the tax system, its impact on certain aspects of SME business operations may be limited or indirect relationship. The result could indicate that tax reform alone may not be enough to address all the challenges SMEs face or to drive substantial improvements in all areas of their operations.

Overall, the Pearson correlation result showed a high, positive correlation between *Overall TRAIN Law implementation* and *overall SME business operations*. The correlation between these variables was statistically significant, $r(133) = 0.63$, $p < .001$. This finding suggests that despite the variations in impact across different operational areas, the TRAIN Law has generally positively influenced SME business operations.

Relationship between the Characteristics of SMEs and Overall Business Operations.

A multiple regression analysis was used to determine the association between several SMEs' characteristics and their overall business operations. This regression analysis sought to investigate how various features of SMEs connect to their overall in shaping business operations in the context of the TRAIN-law's implementation in South Cotabato. The research considered various parameters, including business profile, business size, ownership structure, tax type, business type, capitalization, and monthly gross sales.

Table 18 shows a multiple regression analysis of the different features of small and medium-sized firms (SMEs) and their overall business operations in South Cotabato.

Table 18. Summary of Regression Analysis between the Characteristics of SMEs and Overall Business Operations

Coefficients		Standard Error	t Stat	P-value
Intercept	3.42	0.35	9.73	0.00
Business Profile	-0.10	0.04	-2.46	0.02
Size of the Business	0.16	0.23	0.70	0.48
Ownership	-0.03	0.05	-0.57	0.57
Type of Industry	0.02	0.02	1.01	0.32
Business Type	-0.03	0.09	-0.36	0.72
Business Capitalization	-0.02	0.10	-0.21	0.83
Monthly Gross Sales	-0.01	0.03	-0.18	0.86

Note. $R^2 = .0670$, $F(7,127) = 1.3019$, $p = .255$

The regression analysis results in Table 5 indicate that the overall model was not statistically significant, $F(7,127) = 1.3019$, $p = .255$, $R^2 = .0670$. The result suggests that the characteristics of SMEs included in the model (business profile, size, ownership, industry type, business type, capitalization, and monthly gross sales) did not collectively explain a significant variance in overall business operations. Looking at the individual predictors, only the business profile had a statistically significant relationship with overall business operations, $\beta = -0.10$, $t(127) = -2.46$, $p = .02$. The negative beta coefficient suggests that overall business operations decreased as the business profile score increased. However, the other SME characteristics were not significantly related to the outcome variable.

These findings are partially consistent with previous research on factors influencing SME performance in the context of tax reform. The study by Dimalanta et al. (2018) found that businesses had to adjust their strategies in response to the TRAIN Law, which aligns with the findings of a significant relationship between business profile and overall operations. Similarly, the research by Damasig and Damasig (2022) highlighted the varied impacts of the TRAIN Law on different business aspects, supporting the notion that business profile characteristics can influence performance.

However, the current study did not find significant effects for most of the SME characteristics examined. The result contrasts with the emphasis on factors like business size and capitalization in the literature reviewed in Chapter 2. For instance, Costa et al. (2016) highlighted the importance of SMEs in economic development, implying that characteristics like size might be

crucial. Similarly, Hashemi (2013) emphasized the importance of capital structure for SMEs. Our results do not support these implications in the context of the TRAIN Law implementation.

The significant negative relationship between business profile and overall business operations aligns with the observations of Dimalanta et al. (2018), who found that businesses had to adjust their strategies in response to the TRAIN Law. The result suggests that certain aspects of a business's profile may be more important than broad characteristics in determining its ability to adapt to new tax regulations.

In summary, the regression analysis showed that the entire model did not significantly predict overall SME business operations, with only the business profile emerging as a significant individual predictor in the negative direction.

These results partially corroborate previous research, highlighting the complex and multifaceted nature of factors influencing SME performance under tax reform. The findings suggest that the impact of the TRAIN Law on SMEs may be more uniform across different types of businesses than initially anticipated.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the research findings, conclusions, and recommendations to assess the extent of implementing the Tax Reform for Acceleration and Inclusion (TRAIN) Law on shaping SMEs' business operations.

Summary

Small and medium-sized businesses have long been regarded as a driving force in economic development, and the industrialization of smaller economies (Tee et al. 2016). According to the world bank organization research small and medium- sized enterprises (SMEs), play a significant economic role they are the majority of businesses in the economy, and SME's are one of the most important sources of job creation and employment.

The study was conducted in South Cotabato, Philippines. The respondents were SME owners and managers. They were selected via convenience sampling. The study employs quantitative research with descriptive and correlational methods. Relevant data were acquired using a research-made survey questionnaire designed by the researcher which was validated by the experts. The statistical approaches used were mean, percentage, Pearson correlation, and regression analysis.

The findings revealed that:

1. On the business characteristics of SMEs, most SMEs in South Cotabato are classified as small businesses, accounting for 97% of the total. In terms of years of business operations, most SMEs (40%) have been in operation for 7-9 years. Regarding ownership structure, a significant proportion of SMEs (76%) are sole proprietorships, which suggests a high level of individual entrepreneurship. The predominant industry among SMEs is retail (35%). And, most SMEs (59%) are registered as value-added tax (VAT) entities, which coincide with their capitalization and range given under the law for VAT requirements among registered businesses, ranging from P3,000,001.00 to P15,000,000.00 (84%), indicating a moderate level of financial investment in their operations. And (34%) of SMEs' have an estimated monthly gross sale of P500,000.00 to P2,500,000.00, showcasing their revenue-generating capacity. Finally, most SMEs (59%) pay income tax, value-added tax, and withholding tax, demonstrating their adherence to multiple tax obligations and their contribution to the local and national economies.
2. On the extent of the implementation of TRAIN Law, the overall mean on the extent of TRAIN law implementation is 2.75, indicating that the implementation is generally implemented. The components of collection policy mean score is 3.18, business tax, and exemptions mean score is 2.53.
3. On the extent of business operation of SMEs, the overall mean of SMEs' business operations is 3.10, suggesting moderate business operations. Key areas such as pricing strategy, employee benefits, profitability, customer benefits, filing of tax, innovations, productivity, and growth fall within the moderate range.
4. On the relationship between the extent of the implementation of TRAIN Law and the SMEs' business operations in South Cotabato, a high, positive correlation exists between the overall TRAIN Law implementation and overall SME business operations ($r = 0.63$, $p < .001$). Strong positive correlations were found between employee benefits and collection policies ($r = 0.528$) and exemptions ($r = 0.581$).
5. On the relationship between the SME business operations and the business profile, the regression analysis showed that the overall model was not statistically significant, with only the business profile emerging as a significant individual predictor in the negative direction ($\beta = -0.10$, $t(127) = -2.46$, $p = .02$).

Conclusions

The following conclusions were drawn in light of the findings and the hypothesis that were tested.

The current tax system in the Philippines addresses the elements of inequity. However, the extent of the implementation of TRAIN Law has been implemented and the government has nothing to do. SMEs must follow the rules and regulations implemented by the local and national governments to avoid sanctions and penalties.

In general, there is a significant relationship between the extent of the implementation of the TRAIN Law on shaping SMEs' business operations in South Cotabato; however, there is an indirect relationship between the SME business operations

and the SME business characteristics, because SME business characteristics play a crucial role in determining their ability to adapt to new tax regulations.

Recommendations

The following recommendations are hereby presented:

1. Reconsidered the ease of the permit encouraging individual earners to have at least two or more part-time jobs.
2. Strengthen the transparency of collections and use an automation app system for the declaration of sales.
3. For policymakers, to increase the tax exemption range so that employees will further enjoy their salary.
4. Further it is recommended that an exemption range should be mandatorily be deducted to income before a tax base shall be computed so that it would benefit including the SME business operations.
5. Government agencies such as LGUs and BIR should hold more lectures and forums about claiming tax exemptions, as well as simplify the requirements for obtaining tax exemptions, particularly on income tax holidays.
6. For future researchers, conduct further studies to explore the long-term impacts of the TRAIN Law on SMEs, particularly focusing on different regions and industries. And, further, study on SMEs' specific challenges in utilizing tax exemptions and propose targeted solutions to address these issues..

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