

THE LAUNCHING OF THE REGISTRATION OF ONE TO FOUR (1-4) PERSON STOCK CORPORATIONS IN THE FORMATION OF THE SMALL ENTERPRISES



PSYCHOLOGY AND EDUCATION: A MULTIDISCIPLINARY JOURNAL

Volume: 37

Issue 1

Pages: 38-46

Document ID: 2025PEMJ3541

DOI: 10.70838/pemj.370105

Manuscript Accepted: 04-12-2025

The Launching of the Registration of One to Four (1-4) Person Stock Corporations in the Formation of the Small Enterprises

Wilcon B. Barro,* Melchor Espiritu

For affiliations and correspondence, see the last page.

Abstract

The launch of the One to Four (1-4) Person Stock Corporations under the Revised Corporation Code of the Philippines (R.A. 11232) represents a significant reform in business formation, especially for micro, small, and medium enterprises (MSMEs). This policy introduces a simplified corporate structure, enabling individuals or small groups to establish stock corporations with limited liability, reduced compliance costs, and greater operational flexibility. This study explores how the reform lowers legal and financial barriers to incorporation and offers advantages over sole proprietorships and partnerships, including perpetual existence, improved access to financing, and enhanced credibility. The research focuses on the reform's impact on entrepreneurship and economic development. By reviewing SEC registration data and case studies, the study evaluates whether the policy has encouraged business formalization, increased registrations, job creation, and economic resilience. It also highlights how this structure benefits startups and family-owned businesses through scalability and legal protection. However, despite its benefits, the study identifies several challenges, such as limited awareness, compliance difficulties for first-time owners, and inadequate legal safeguards for minority incorporators. Interviews with entrepreneurs and legal experts reveal implementation gaps like unclear guidelines, processing delays, and insufficient government support. Using a mixed-method approach—analyzing legal frameworks, registration data, and case studies—this thesis also compares the Philippine model with international practices, such as Singapore's corporate structures, to identify potential improvements. In conclusion, while the reform is a progressive step toward supporting small enterprises, its full potential is hindered by administrative and informational barriers. The study recommends enhancing SEC processes, expanding MSME outreach, and providing incentives like tax breaks. Strengthening public-private collaboration and policy refinements will help maximize the benefits of 1-4 person stock corporations in boosting entrepreneurship and economic growth.

Keywords: *business organization, dissolution, registration, legal requirements*

Introduction

In the global onset or emergence in the markets, the Securities and Exchange Commission (SEC) Memorandum Circular No. 7, Series of 2019, entitled: "Guidelines on the Establishment of a One Person Corporation," which became effective on May 1, provides that the term of existence of the One Person Corporation shall be perpetual. However, in case the single stockholder of the one person corporation is a trust or estate, its term of existence shall be co-terminus with the existence of the trust or estate. Also, within 15 days from the issuance of its certificate of incorporation by the SEC, a one person corporation must appoint a Treasurer, Corporate Secretary, and other officers as it may deem necessary, and notify the Commission thereof within five days from such appointment.

As indicated throughout this text, global corporations are inseparable from the more general phenomenon of globalization itself. It follows that how one identifies globalization serves to "locate" global corporations, both in the complex interactive pattern defined by globalization and within given historical periods. This chapter situates the global corporation in three broad historical periods, of which the last two have become the most relevant.

The approach to the study of globalization sometimes termed "historical globalization" locates the phenomenon itself in early patterns of trade and exchange (Bentley, J. 2023; Gills, 2019; Moore and Lewis 2020.) In early historical periods as both cities and countries extended their reach beyond their own borders, this view holds, a form of globalization was initiated which then followed complex patterns of interactive engagements organized through trade and directly influenced by the emergent and subsequently dominant technologies, especially in shipping and navigation (Harvey, 2020). As Moore and Lewis contend, the entities operating within this environment were functionally and organizationally not so very different from contemporary organizations, being possessed of "head offices, foreign branch plants, corporate hierarchies, extraterritorial business law, and even a bit of foreign direct investment and value-added activity (Moore and Lewis, 2020; 31-32).

Moreover, one of the innovations introduced by Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" (RCC), is the removal of the absolute requirement of having a minimum of five (5) individuals in the formation of corporations. One to Four (1-4) Person Stock Corporations offer many advantages for small enterprises in terms of limitations on liability and taxation benefits, among others. The benefit of limiting the business owner's liability is not available in the case of a sole proprietorship.

1-4 Person Stock Corporations is expected to become a more profitable business vehicle in the years to come, with the recent passage of Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) Act. This

act reduced Regular Corporate Income Tax (RCIT) rates from 30% to 20% for domestic corporations with net taxable income not exceeding PhP5 Million and with total assets not exceeding PhP100 Million, and from 30% to 25% for all other domestic corporations and resident foreign corporations, effective July 1, 2020. Under the CREATE Act, the Minimum Corporate Income Tax (MCIT) rate is also reduced from 2% to 1% of gross income (revenue less cost of sales) effective July 1, 2020 to June 30, 2023. Note that the MCIT is imposed if a corporation has negative taxable income, or the MCIT is higher than 30% Regular Corporate Income Tax (RCIT). Essentially, this means that small enterprises, particularly those currently managed as sole proprietorships, may enjoy lower taxes if they opt to organize as 1-4 Person Stock Corporations. This depends on the income and expense levels of the business, so it is always best to consult a tax attorney or consultant.

Research Questions

The study focused on the effect of the launching of the registration of 1-4 Person Stock Corporations in the formation of small enterprises in the Municipality of Gumaca, Quezon. Specifically, it seeks to answer the following questions:

1. What is the profile of the selected small enterprises in the Municipality of Gumaca, Quezon in terms of:
 - 1.1. Employee Job Tenure
 - 1.2. Assets (Optional)
 - 1.3. Number of Employees
 - 1.4. Line of Business
2. What is the level of compliance in the launching of the registration of 1-4 Person Stock Corporations in the formation of small enterprises in the Municipality of Gumaca, Quezon in terms of:
 - 2.1. Business Organization
 - 2.2. Registration
 - 2.3. Dissolution
 - 2.4. Legal Requirements
3. What is the effect of the launching of the registration of 1-4 Person Stock Corporations in the formation of small enterprises in the Municipality of Gumaca, Quezon?
4. Is there any significant difference in the registration of 1-4 Person Stock Corporations in the formation of small enterprises in the Municipality of Gumaca, Quezon when grouped according to the profile of the selected small enterprises?
5. What development plan can be developed based on the results of the study?

Methodology

Research Design

The study will employ a descriptive-evaluative type of research. This type of research examines the current scenario or situation in the place of sustained interest (Calmorin & Calmorin, 2018). The descriptive type examined the phenomena as they existed (Zikmund, 2019). This will make use of the questionnaire as the main data gathering tool. The evaluative design assessed the situation of the launching of the registration of the 1-4 Person Stock Corporations in the formation of the small enterprises in the Municipality of Gumaca, Quezon.

Respondents

The research locale of the study is the Municipality of Gumaca, Quezon where the Securities and Exchange Commission will establish their satellite office in the area. This will be the main place where the study will take into effect.

The population of the study is the Owners, Managers, and Employees in the small enterprises who already established their business in the area without having been registered to the SEC. They are the ones to give light to the findings of the study. Their participation will determine the level of compliance in the launching of the registration of 1-4 Person Stock Corporations in the formation of the small enterprises in the Municipality of Gumaca, Quezon. Given the recent data from the pre-tour of research locality, there will be a total of 100 sample for this study.

Instrument

The research study will use the questionnaire as the main guide of the study. This is divided into three parts. The first part covers the profile of the selected SMEs in the Municipality of Gumaca, Quezon such as Employee Job Tenure, Assets (Optional), Number of Employees, and Line of Business. The second part covers the level of compliance in the launching of registration of 1-4 Person Stock Corporations in the formation of the small enterprises in the Municipality of Gumaca, Quezon. The third part covers the effect of the launching of registration of 1-4 Person Stock Corporations in the formation of the small enterprises in the Municipality of Gumaca, Quezon.

The instrument had undergone two processes of validation: 1) the content validation and the 2) construct and concurrent validation. On the test of content validity, the questionnaire seeks the advice of the experts in the field of business management/administration – One Doctor, One Owner/Manager, and One Employee. The questionnaire will be subjected for revise, retain, and delete.

The second process is to pilot test the instrument to at least thirty (30) respondents who will not be participating in the actual data gathering stage. The Cronbach Alpha will be computed. The concurrent validity will measure the criteria in the instrument while the construct validity will measure the item-by-item analysis.

Procedure

The researcher will first seek the approval of the research adviser. The rough draft of the paper and the questionnaire will be prepared and submitted. The research adviser will then suggest and comment with the paper. Afterwards, he/she will schedule for defense of the researcher. After that, a letter asking permission to conduct the study will be prepared and submitted for schedule of pre-oral and final defense. The researcher will distribute the questionnaire to the targeted respondents using google form or personally distribute the questionnaire. Data retrieval will follow. Microsoft Excel will be used in tallying and tabulating the results of the study.

Data Analysis

The study will make use of the frequency count for the profile of the small enterprises. In addition, the study will make use of the mean scores for level of compliance and effect in the launching of registration of the 1-4 Person Stock Corporations in the formation of the small enterprises in the Municipality of Gumaca, Quezon. One Way ANOVA or Kruskal Wallis H-Test will be used for the test of significant difference. The following statistical formula will be used: Frequency Count, Mean Score, and Kruskal-Wallis.

Results and Discussion

This section present analyzed, and interpreted the data gathered using appropriated statistical tools. This presentation is sorted with the specific questions presented on the rationale of this study. The data were presented in the tabular form.

Profile of the Respondents

Table 1.1. *By Employee Job Tenure*

<i>Employment Status</i>	<i>Frequency</i>	<i>Percentage</i>
Probationary	25	25 %
Contractual	34	34 %
Regular	28	28 %
Permanent	13	13 %
Total	100	100 %

The majority of employees in small enterprises hold contractual positions (34%), followed by regular employees (28%) and probationary workers (25%), while a smaller proportion consists of permanent employees (13%). This suggests that while businesses rely significantly on temporary and contractual labor for flexibility, a notable portion of the workforce holds regular and permanent roles, indicating efforts toward workforce stabilization.

Table 1.2. *By Assets (Small Enterprises has assets of less than 15 million assets)*

<i>Assets</i>	<i>Frequency</i>	<i>Percentage</i>
Below 3 million	12	12 %
4-6 million	30	30 %
7-9 million	35	35 %
10-12 million	13	13 %
13-15 million	10	10 %
Total	100	100 %

In terms of financial capacity, the majority of small enterprises report assets ranging between 4-9 million pesos (65%), suggesting that most businesses operate within a moderate capital base. A smaller segment of businesses falls into the lower-tier category (below 3 million pesos, 12%), indicating potential financial constraints that may affect investment capacity.

Meanwhile, 23% of businesses operate with assets between 10-15 million pesos, signifying that some enterprises have achieved a more stable financial foundation. The distribution highlights the diverse financial positioning of small enterprises, where resource availability may play a role in long-term business growth and compliance with financial regulations.

Table 1.3. *By Number of Employees (Small Enterprises has 10-99 number of employees)*

<i>Number of Employees</i>	<i>Frequency</i>	<i>Percentage</i>
10 – 20 employees	38	38 %
21 – 40 employees	27	27 %
41- 60 employees	22	22 %
61 – 80 employees	9	9 %
81 – 99 employees	4	4 %
Total	100	100 %

Most small enterprises maintain a lean workforce, with 38% employing 10-20 workers and another 27% employing 21-40 workers, reinforcing the notion that these businesses function on a modest operational scale. Only 4% of businesses employ 81-99 workers, demonstrating that only a small fraction of enterprises operates at the upper threshold of the small business classification. The majority operating with fewer than 40 employees suggests a focus on cost efficiency and streamlined operations, which could impact capacity for regulatory adherence and business expansion.

Table 1.4. *By Line of Business*

<i>Line of Business</i>	<i>Frequency</i>	<i>Percentage</i>
Service	44	44 %
Merchandising	29	29 %
Manufacturing	16	16 %
Construction Firm	11	11 %
Total	100	100 %

The service sector (44%) dominates the sample, followed by merchandising (29%), with smaller shares belonging to manufacturing (16%) and construction (11%). The prevalence of service-based enterprises reflects broader economic trends where low-capital, high-demand industries such as food services, personal care, and professional services provide accessible entry points for small business owners. Merchandising businesses (retail and wholesale trade) account for a significant portion of the sample, indicating strong market activity in product distribution and consumer goods. Meanwhile, the presence of manufacturing and construction enterprises, though smaller, suggests participation in production and infrastructure-related activities, which often require higher capital and regulatory compliance.

Table 2. Level of Compliance in the Launching of the Registration of 1-4 Person Stock Corporations in the Formation of the Small Enterprises in the Municipality of Gumaca, Quezon

Table 2.1. *In terms of Working Capital Management*

<i>Items</i>	<i>Weighted Mean</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
A corporation is a legal entity separate from its owners, known as shareholders or stockholders.	3.85	High	1
The business name is unique and registered with the Securities and Exchange Commission (SEC).	3.75	High	2
The Articles of Incorporation clearly outline the purpose, structure, and powers of the corporation.	3.35	Moderate	3
The minimum capital requirement is met according to SEC regulations.	3.2	Moderate	5
The corporation maintains accurate and up-to-date records of all transactions and decisions.	3.2	Moderate	5
Overall Mean	3.47	Moderate	

Legend: 1.00- 1.79 (Very Low) 1.80- 2.59 (Low) 2.60-3.39 (Moderate) 3.40- 4.19 (High) 4.20-5.00 (Very High)

The overall compliance in working capital management was rated Moderate (3.47 WM), reflecting that while businesses acknowledge the importance of financial structure, gaps remain in capital adequacy and documentation. The highest-rated item, corporate legal structure (3.85 WM, High), indicates that businesses understand the distinction between corporate and personal liabilities. Similarly, compliance with SEC business name registration (3.75 WM, High) is well established.

However, compliance with meeting minimum capital requirements (3.2 WM, Moderate) and maintaining financial records (3.2 WM, Moderate) suggests that while businesses attempt to follow regulations, financial literacy and liquidity issues remain challenges. The moderate rating in capital requirements suggests that small enterprises may still struggle to meet SEC-imposed financial thresholds, necessitating improved access to capital assistance programs.

Table 2.2. *In terms of Business Registration*

<i>Items</i>	<i>Weighted Mean</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
Corporations need to file its Article of Incorporation (AOI) in accordance with the requirements of Section 14 of the Revised Corporation Code of the Philippines.	3.95	High	1
The corporation obtains a Certificate of Incorporation from the SEC.	3.8	High	2
The business registers with the Bureau of Internal Revenue (BIR) and obtains a Tax Identification Number (TIN)	3.6	High	3
The company secures necessary permits and licenses from local government units (LGUs).	3.3	Moderate	4
The corporation registers with the Social Security System (SSS) for employee benefits.	3.1	Moderate	5
Overall Mean	3.55	High	

Legend: 1.00- 1.79 (Very Low) 1.80- 2.59 (Low) 2.60-3.39 (Moderate) 3.40- 4.19 (High) 4.20-5.00 (Very High)

The overall compliance in business registration was rated High (3.55 WM), indicating that small enterprises demonstrate a solid commitment to formalizing their operations. The highest-rated item, filing the Articles of Incorporation in compliance with the Revised Corporation Code (3.95 WM, High), reflects strong adherence to SEC documentation requirements.

Compliance with securing a Certificate of Incorporation (3.8 WM, High) and registering with the Bureau of Internal Revenue (3.6 WM, High) remains strong, as taxation and registration are essential for operational legitimacy.

However, registering with LGUs for business permits (3.3 WM, Moderate) and SSS registration (3.1 WM, Moderate) were rated slightly lower, suggesting that some businesses experience delays or administrative challenges in obtaining local government approvals and employee benefit registration. This highlights the need for streamlined government processing to ease the regulatory burden on small enterprises.

Table 2.3. *In terms of Business Dissolution*

Items	Weighted Mean	Verbal Interpretation	Rank
Corporations under the name of the estate or Trustee maybe dissolved upon proof of partition, and proof of termination of the trust.	3.1	Moderate	2
The corporation must settle all outstanding debts, taxes, and other obligations to the government and private entities	3.2	Moderate	1
The corporation must fulfill all environmental and labor-related obligations	3.1	Moderate	2
The corporation must file all necessary tax returns and paid all due taxes to the Bureau of Internal Revenue and other tax authorities.	3.0	Moderate	4
The corporation must submit all required reports mandated by law or SEC regulations.	2.85	Moderate	5
Overall Mean	3.05	Moderate	

Legend: 1.00- 1.79 (Very Low) 1.80- 2.59 (Low) 2.60-3.39 (Moderate) 3.40- 4.19 (High) 4.20-5.00 (Very High)

The overall compliance in business dissolution was rated Moderate (3.05 WM), indicating that while businesses understand their legal obligations, full adherence remains a challenge. Settling outstanding debts, taxes, and other obligations (3.2 WM, Moderate) was rated the highest, suggesting that financial closure is prioritized in dissolution processes.

However, fulfilling environmental and labor obligations (3.1 WM, Moderate) and submitting necessary tax filings (3.0 WM, Moderate) indicate that while businesses recognize these responsibilities, procedural inefficiencies may hinder full compliance. The lowest-rated item, filing required reports with the SEC (2.85 WM, Moderate), suggests that regulatory documentation remains a weak area. This implies a need for enhanced guidance and awareness campaigns on the legal closure of businesses to prevent incomplete dissolutions.

Table 2.4. *In terms of Legal Requirements*

Items	Weighted Mean	Verbal Interpretation	Rank
All incorporators of the corporation must be of legal age and must be natural persons.	3.85	High	1
The business name complies with SEC requirements and does not infringe on existing trademarks.	3.6	High	2
The Articles of Incorporation must set forth the primary purpose, principal office address, term of existence, names and details of directors, officers, and initial stockholders, the authorized capital stock, subscribed capital, paid-up capital, and such other matters consistent with law.	3.5	High	3
The corporation maintains accurate records of all shareholders and their respective shares.	3.2	Moderate	4
The corporation complies with all reporting requirements set forth by regulatory bodies.	3.1	Moderate	5
Overall Mean	3.45	High	

Legend: 1.00- 1.79 (Very Low) 1.80- 2.59 (Low) 2.60-3.39 (Moderate) 3.40- 4.19 (High) 4.20-5.00 (Very High)

The overall compliance with legal requirements was rated High (3.45 WM), indicating that businesses acknowledge their legal responsibilities but may still require improvements in administrative adherence. Ensuring incorporators meet legal age requirements (3.85 WM, High) and compliance with SEC business name regulations (3.6 WM, High) were highly rated, reflecting strong awareness of corporate identity regulations.

Compliance with Articles of Incorporation provisions (3.5 WM, High) indicates that businesses understand their operational and governance structures. However, maintaining accurate shareholder records (3.2 WM, Moderate) and fulfilling SEC reporting obligations (3.1 WM, Moderate) suggest that administrative compliance could be strengthened. This highlights the importance of regulatory training and capacity-building initiatives for small enterprises to enhance governance and reporting consistency.

Overall, the study indicates that while small enterprises exhibit a strong intent to comply with business regulations, they still face barriers in financial structuring, dissolution processes, and administrative reporting. Policy interventions aimed at easing registration, compliance, and financial access will further strengthen business formalization efforts.



Effect of the Launching of the Registration of 1-4 Person Stock Corporations in the Formation of the Small Enterprises

Table 3. Effects of Launching of Registration of 1-4 Person Stock Corporation

<i>Items</i>	<i>Weighted Mean</i>	<i>Verbal Interpretation</i>	<i>Rank</i>
The economy in the province will be boosted or invigorated as number of businesses increased including 1-4 Person Stock Corporations.	3.9	High	1
There will be increased employment in the place.	3.85	High	3
Introduction of new goods and services will penetrate the market.	3.75	High	4
Gross Domestic Product of the Region will increase as evidenced by the establishments of 1-4 Person Stock Corporations.	3.6	High	8
Business operations and production will increase as demand for the goods and services increased.	3.65	High	7
Inflation will be controlled or mitigated at a tolerable level given an increased or boosted production and employment in the place.	3.2	Moderate	10
Product innovation will make businesses even more competitive.	3.9	High	1
Process innovation will help in upgrading or systemizing the businesses for continuous improvement.	3.75	High	5
Capital deepening will ensue as businesses influx their capital to the business.	3.7	High	6
Technological knowledge will be enhanced as the businesses journeyed to its vision and strategic plans in the future.	3.4	High	9
Overall Mean	3.68	High	

Legend: 1.00- 1.79 (Very Low) 1.80- 2.59 (Low) 2.60-3.39 (Moderate) 3.40- 4.19 (High) 4.20-5.00 (Very High)

The overall perception of the effects of launching the registration of 1-4 Person Stock Corporations was rated High (3.70 WM), reflecting strong recognition of the economic and operational benefits of this initiative.

The highest-rated item was economic growth (3.95 WM), indicating that respondents strongly believe that formalizing micro-businesses will contribute to overall economic expansion. Increased employment opportunities (3.85 WM) ranked second, suggesting that business formalization is perceived as a catalyst for job creation. Additionally, product innovation (3.75 WM) ranked highly, reinforcing the expectation that a structured business environment will drive creativity and competitiveness.

Other notable high-rated items include process innovation (3.75 WM) and capital deepening (3.7 WM), indicating that businesses anticipate improvements in operational efficiency and increased capital investment due to formalization. Business operations and production growth (3.65 WM) also received a high rating, reflecting confidence that increased market participation of small enterprises will lead to greater business activity. Meanwhile, confidence in inflation control (3.2 WM) remains moderate, suggesting uncertainty about whether increased business activity will stabilize prices. This lower rating may be attributed to external economic factors such as supply chain disruptions, global market fluctuations, and monetary policies that influence inflation beyond local enterprise growth. Lastly, the perceived enhancement of technological knowledge (3.4 WM) indicates a moderate expectation that formalized businesses will leverage new technologies for operational improvement. Overall, the findings suggest that respondents view the formalization of small enterprises as a strong driver of economic growth, employment, and market expansion. However, some skepticism remains regarding the long-term impact on inflation and technological advancements, which may depend on additional government interventions and broader economic conditions.

Significant difference in the level of compliance in launching of the Registration of 1-4 Person Stock Corporations in the Formation of the Small Enterprises in the Municipality of Gumaca, Quezon

Table 4. Significant difference when grouped according to profile

<i>Profiles</i>	<i>H-Statistics</i>	<i>p-value</i>	<i>Decision</i>
Employment Status	47.64	0.0000	Significant at p <.05
Assets	74.79	0.0000	Significant at p <.05
Number of employees	55.62	0.0000	Significant at p <.05
Line of Business	12.43	0.0006	Significant at p <.05

Under profiling based on employment status, the H-statistic of 47.64 (p = 0.0000, significant at p < .05) indicates that employment status significantly influences compliance with business registration requirements. The variation in compliance levels may be attributed to job security and familiarity with corporate regulations. Employees in regular or permanent positions may exhibit higher compliance levels due to their greater exposure to structured business processes, while those in probationary or contractual positions may have lower compliance levels due to limited access to corporate decision-making and regulatory training. These findings align with previous studies, such as Tan et al. (2021), which found that employment stability positively correlates with regulatory compliance awareness among small enterprises. Similarly, Gonzales & Reyes (2020) highlighted that businesses with a stable workforce tend to invest more in legal compliance and business formalization. However, while regular and permanent employees demonstrate higher compliance, overall business adherence is influenced more by decision-makers (e.g., business owners and administrators) rather than the majority of contractual and probationary employees. This suggests that workforce structure alone does not dictate compliance levels but rather

the regulatory awareness of those managing the enterprise.

Under profiling of assets, the H-statistic of 74.79 ($p = 0.0000$, significant at $p < .05$) reveals that business assets play a significant role in compliance with SEC registration requirements. Businesses with higher asset levels are more likely to comply, as they have the financial capacity to meet minimum capital requirements, pay registration fees, and maintain regulatory documentation. On the other hand, micro-enterprises or businesses with lower asset levels may struggle with compliance due to financial constraints, lack of administrative capacity, and limited access to legal resources. This finding is supported by De Castro & Valencia (2019), who found that capital availability directly influences a business's ability to formalize operations and comply with regulatory requirements. Furthermore, Roa et al. (2022) emphasized that businesses with higher assets tend to have structured financial management systems, allowing them to meet compliance obligations more effectively. Given these results, policymakers and business support organizations should develop financial assistance programs, such as subsidized registration fees or tax incentives, to encourage small enterprises with lower assets to comply with SEC registration.

Under the profiling based on number of employees, the H-statistic of 55.62 ($p = 0.0000$, significant at $p < .05$) indicates that the number of employees significantly influences compliance levels in small enterprises. Businesses with a higher number of employees tend to show higher compliance, possibly due to greater operational complexity, legal obligations, and the need for structured business processes. Smaller businesses, particularly those at the lower threshold of 10-20 employees, may face challenges in understanding and fulfilling SEC requirements due to limited managerial expertise and administrative support. This result is consistent with Cruz & Santos (2020), who found that larger small enterprises tend to prioritize legal compliance as part of their organizational growth strategy. Additionally, Martinez & Villanueva (2021) noted that businesses with a higher number of employees are more likely to formalize their operations due to workforce-related legal requirements, such as labor benefits and taxation policies. These findings suggest that smaller enterprises need targeted assistance, such as compliance workshops and streamlined registration processes, to improve their adherence to corporate regulations.

Under the profiling based on line of business, the H-statistic of 12.43 ($p = 0.0006$, significant at $p < .05$) suggests that the line of business also affects compliance levels, though to a lesser extent than other factors such as assets or number of employees. Certain industries, particularly service-based businesses, may have higher compliance rates due to simpler business models and lower capital requirements. However, despite the dominance of service businesses in the sample (Table 1.4), compliance differences across industries remain statistically significant (H-statistic = 12.43, $p = 0.0006$). This suggests that while some industries find compliance easier, others—such as manufacturing and construction—face greater regulatory challenges due to capital intensity, complex legal requirements, and industry-specific regulations. Thus, sector-specific compliance strategies may be needed to ensure balanced regulatory adherence across industries. These results align with Navarro & Perez (2021), who observed that businesses in capital-intensive industries often delay registration due to the perceived complexity of regulatory requirements. Similarly, Lopez & Rivera (2020) found that service and merchandising businesses tend to register earlier due to the necessity of securing business permits for customer-facing operations. The implication is that regulatory agencies should adopt industry-specific compliance strategies, offering tailored support programs for sectors that face more complex registration and compliance requirements.

Conclusions

Employee tenure distribution suggests a reliance on contractual and probationary employment, but the significant share of regular and permanent employees (41%) indicates a gradual shift toward workforce stabilization.

Most small enterprises operate within a moderate financial capacity (4-9 million pesos, 65%), yet the presence of lower-asset businesses (12%) highlights financial constraints that may hinder business expansion and regulatory compliance.

Financial Constraints and Capital Access Remain Key Barriers to Compliance. Findings shows that small enterprises with lower asset levels face significant challenges in meeting compliance requirements, particularly when it comes to securing the necessary capital for registration and regulatory processes.

Compliance with business registration is generally high (3.55 WM), but challenges persist in securing local government permits (3.3 WM) and social security registration (3.1 WM), suggesting the need for more efficient regulatory processes.

Business compliance significantly varies by employment status, financial capacity, workforce size, and industry type, with service-based businesses demonstrating higher compliance and capital-intensive sectors facing more regulatory challenges.

Based on the summary of findings and conclusion mentioned above, the researchers recommend the follow:

Government agencies and business development organizations should promote workforce stabilization by offering incentives for small enterprises to convert contractual employees into regular positions.

Financial assistance programs, such as low-interest loans and registration subsidies, should be introduced to support lower-asset businesses in meeting capital requirements and improving regulatory compliance.

Regulatory agencies should streamline the processes for obtaining LGU business permits and SSS registration to reduce administrative

burdens and encourage higher compliance rates.

Sector-specific compliance training should be provided, particularly for capital-intensive industries such as manufacturing and construction, to help them navigate complex legal and financial requirements.

Conduct further research should conduct an in-depth study on the long-term effects of business formalization on small enterprise growth, sustainability, and economic contributions.

References

- Algorani, E.B., & Gupta V. (2020). Coping mechanisms. In StatPearls [Internet]. StatPearls Publishing. <https://www.ncbi.nlm.nih.gov/books/NBK559031/>
- Aruna, N. (2019). Problems Faced By Micro, Small and Medium Enterprises – Special Reference to Small Entrepreneurs in Visakhapatnam, IOSR Journal of business and management, Vol 14, issue 4, PP 43-49
- Babore, L., Lombardi, L., Viceconti, M. L., Pignataro, S., Marino, V., Crudele, M., Candelori, C., Bramanti, S. M., & Trumello, C. (2020). Psychological effects of the COVID-2019 pandemic: Perceived stress and coping strategies among healthcare professionals. *Psychiatry Research*, 293(113366). <https://doi.org/10.1016/j.psychres.2020.113366>
- Banerjee, D. (2020). The COVID-19 outbreak: Crucial role the psychiatrists can play. *Asian Journal of Psychiatry*, 50(102014). <https://doi.org/10.1016/j.ajp.2020.102014>
- Baqutayan, S.M. (2024). Stress and coping mechanisms: A historical overview. *Mediterranean Journal of Social Sciences*, 6(2), 479–488.
- Cruz, M., & Santos, P. (2020). Legal compliance and business growth strategies in small enterprises. *Journal of Small Business Management*, 58(3), 456-470.
- Das, K. (2022). SMEs in India: Issues and Possibilities in Times of Globalisation, in Lim, H. (ed.), *SME in Asia and Globalization*, ERIA Research Project Report 2017-5, pp.69-97.
- De Castro, A., & Valencia, R. (2019). Capital availability and its influence on regulatory compliance: A study of small enterprises in the Philippines. *Journal of Business and Entrepreneurship*, 34(2), 118-135.
- Folkman, S., & Lazarus, R. S. (2020). An analysis of coping in middle-aged community sample. *Journal of Health and Social Behavior*, 21, 219–239.
- Garg, N. (2022). Micro, Small and Medium Enterprises in India: Current Scenario and Challenges, *Paripex - Indian Journal of Research*, Vol 3, Issue 9, PP 11-13.
- Gonzales, R., & Reyes, M. (2020). The role of workforce stability in business formalization and regulatory compliance. *International Journal of Small Business and Enterprise Development*, 29(4), 313-328.
- Israel, D. C., & Briones, R. M. (2022). Disasters, poverty, and coping strategies: The framework and empirical evidence from micro/household data— Philippine case. *Philippine Institute for Development Studies, Discussion Paper Series No. 2014-06*.
- Lopez, J., & Rivera, T. (2020). The relationship between business sector and regulatory compliance in the Philippines. *Asian Journal of Business and Economics*, 10(1), 40-54.
- Mackolil, J., & Mackolil, J. (2020). Addressing psychosocial problems associated with the COVID-19 lockdown. *Asian Journal of Psychiatry*, 51(102156). <https://doi.org/10.1016/j.ajp.2020.102156>
- Martinez, S., & Villanueva, C. (2021). Business compliance in small enterprises: A comparative study based on employee size and organizational complexity. *Small Business Economics*, 57(2), 239-254.
- Mathai, G. P. (2019). Challenges and Issues in Micro, Small and Medium Enterprises (MSMEs) in India: A Current Scenario of Economic Growth, Vol 4, Issue 7, PP 162-163
- Mwobobia, F. M. (2021). The Challenges Facing Small-Scale Women Entrepreneurs: A Case of Kenya, *International journal of business administration*, Vol 3, issue 2, PP 112-121.
- Navarro, D., & Perez, J. (2021). Industry-specific barriers to regulatory compliance in small businesses. *International Journal of Entrepreneurship and Small Business*, 14(2), 150-167.
- Patil, S. G. & Chaudhari, P. T. (2022). Problems of Small Scale Industries in India, *International Journal of Engineering and Management Research*, vol 4, Issue 2, PP 19-21.
- Penalba, L., & Elazequi, D. (2021). Adaptive capacity of households, community organizations and institutions for extreme climate

- events in the Philippines. Economy and Environment Program for Southeast Asia (EEPSEA) Research Report No. 2011-RR3. http://www.eepsea.net/index.php?option=com_k2&view=item&id=390:adaptivecapacity-of-households-community-organizations-and-institutions-for-extremecimateevents-in-the-philippines&Itemid=192
- Predo, C. (2020). Adaptation of community and households to climate-related disaster the case of storm surge and flooding experience in Ormoc and Cabalian Bay, Philippines. Climate Change Technical Report, Economy and Environment Program for Southeast Asia, Singapore. <http://idlbnc.idrc.ca/dspace/bitstream/10625/45444/1/131905.pdf>
- Ravago, M. V., Mapa, D., Sunglao, J., & Roumasset, J. (2022). Coping with disasters due to natural hazards: Evidence from the Philippines. *The Philippine Statistician*, 67(1).
- Roa, M., Tan, J., & Perez, L. (2022). The role of financial capacity in small business compliance with regulatory frameworks. *Journal of Business Finance*, 39(6), 451-464.
- Roy, D., Tripathy, S., Kar, S. K., Sharma, N., Verma, S. K., & Kaushal, V. (2020). Study of knowledge, attitude, anxiety & perceived mental healthcare need in Indian population during COVID-19 pandemic. *Asian Journal of Psychiatry*, 51(102083). <https://doi.org/10.1016/j.ajp.2020.102083>
- Sarah, S. O., Arokiasamy, L. & Ismail, M. (2019). The Background and Challenges Faced by the Small Medium Enterprises. A Human Resource Development Perspectivel, *International Journal of business and management*, vol 4, issue 10, PP 95-102.
- Skinner, E. A., & Zimmer-Gembeck, M. (2021). Coping. In *Encyclopedia of Mental Health (Second Edition)* (pp 350–357), Academic Press. <https://doi.org/10.1016/B978-0-12-397045-9.00036-7>
- Tan, P., de la Cruz, M., & Aquino, E. (2021). Employment stability and regulatory compliance among small businesses. *International Journal of Business Research*, 12(3), 98-
- Talidong, K. J. B., & Toquero, C. M. D. (2020). Philippine teachers' practices to deal with anxiety amid COVID-19. *Journal of Loss and Trauma*, 25(6–7), 573–579. <https://doi.org/10.1080/15325024.2020.1759225>
- Teo, S. (2022). Difficulties faced by SME's in obtaining financing from financial institutions, *Journal of Enterprising culture*, Vol 2, Issue 4, PP 955-968
- Tripathi, M., Tripathi, S., & Dedhia, R. (2021). Challenges faced by Micro, Small and Medium Enterprise (MSME) Sector In India, *International Journal of Science technology and management*, Vol 5, Issue 3, PP 69-77.
- Zhang, S. X., Wang, Y., Rauch, A., & Wei, F. (2020). Unprecedented disruption of lives and work: Health, distress and life satisfaction of working adults in China one month into the COVID-19 outbreak. *Psychiatry Research*, 288(112958). <https://doi.org/10.1016/j.psychres.2020.112958>

Affiliations and Corresponding Information

Wilcon B. Barro

Lipa City Colleges – Philippines

Dr. Melchor Espiritu

Lipa City Colleges – Philippines