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Performance of Micro and Small Enterprises in the Philippine Setting

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Abstract

The study was conducted to assess the performance of micro and small enterprises in Lipa City, Philippines using Cash Conversion Cycle. It was conducted among 375 managers and business owners in the area. Descriptive method was to collect the data and test the null hypothesis. Frequency/percentage, weighted mean, and composite mean were used as statistical tools. Results reveal that majority of the respondents were micro enterprises with a 1-9 employees that have been operating for 1-3 years; that the cash conversion cycle and its comparison of responses to the performance of micro and small enterprises found to be effective; that the cash conversion cycle in terms of years of existence, business category and number of employees are effective; that the cash conversion cycle to the performance of micro and small enterprises in terms of cash to accounts payable, accounts payable to inventory, inventory to accounts receivable, and accounts receivable to cash are effective; that the comparison between the cash conversion cycle to the performance of micro and small enterprises and effectiveness when grouped according to years of existence, business category and number of employees were significant. Thus, the proposed extension activity can be considered and implemented by the concerned agency.

Keywords: Accounts Payable, Accounts Receivable, Cash Conversion Cycle, Cash, Inventory

1. Introduction

The rapid growth of the businesses in the industry like micro and small businesses contribute a lot in the economy especially to those developing countries like the Philippines. Micro and Small businesses create a large number of jobs that increase the employment in each country but some of those micro and small businesses fail after months of operation due to different challenges they face. In the business competitive environment, their survival depends on their innovative ability and flexibility in creating a way in order for them to survive for a longer period in the industry.

Most of the businesses in the Philippines are MSME or Micro, Small, Medium Enterprise that comprised 99.5% of the total number of the Enterprise in the Philippines. Medium Enterprise takes 0.4% out of the 99.5% of the population, while Small Enterprise is 9.2% and Micro Enterprise takes the majority of 89.9% of the total population of the enterprise. Majority of the MSME in the Philippines are in the wholesale, retail and motorcycle industries. Additionally, the majority of the MSME operation can be found on the Nation Capital Region (NCR) followed by Region 4-A (CALABARZON), Region 3, Region 7 and Region 1 considered as top five places with the most number of MSME operation.

Lipa City has four major income sources, which are manufacturing, services and retail industries. Lipa City is also an ideal place for investment due to its business friendly environment and a great potential in business process outsourcing as it has been chosen as the Top 10 Next Wave Cities for a couple of years.

It is often heard that “cash is a king” in the business industry. Because for each business, what they needed the most is cash and cash also controls on how the business will operate according to its financial status. Each business should have enough cash to pay the expenses in their business operation. With many developing countries, there is a limited research about cash conversion cycle of micro and small enterprise, there is a need to develop and investigate the performance of micro and small enterprise; an assessment using cash conversion cycle.

Lipa City is an ideal place for putting up a business because of its rapid economic progress and urbanization that helps the city to attract investors to build different businesses in Lipa City. With the rapid economic progress and urbanization, businesses become more competitive, innovative and resourceful over each other that affect small businesses that can be easily dominated by larger businesses. It is also because Lipa City has a high quantity of

consumers that also attract investors to put up a business, because if there is a high quantity of consumers, there should also be enough business to meet the demand of each consumer. Micro and Small Enterprise are ideal subject in this study because they have the most businesses in Lipa City that are mostly family owned and have the greater financial risk. It is also for them to know the benefit and function of cash conversion cycle in their business and to help them to know what is cash conversion cycle. Briefly cash conversion cycle is the length of time from which the process of their cash is turned into account payable to inventory to accounts receivable and turn back into cash. This helps the business know how long their purchased item being sold does and turn back into cash in their business. As micro and small enterprises have the most number in Lipa City, the researchers decided to focus on the performance to know the profit of a business, to know if the business gains profit or loss

1.1 Objectives of the Study

This study aims to assess the performance of micro small enterprise in Lipa City, Batangas. Specifically, it attempted to answer the following objectives: first, to determine profile of the Micro and Small Enterprise in terms year of existence, business category and number of employees; (2) describe the cash conversion cycle of the enterprise in terms of cash to accounts payable, accounts payable to inventory, Inventory to accounts receivable, and Accounts receivable to cash; (3) determine the effectiveness of the cash conversion cycle to the performance of micro and small enterprise in terms of cash conversion cycle to financial performance, and cash conversion cycle to non-financial performance; and (4) assess the determine the performance of micro and small enterprise be compared when grouped according to profile, lastly, the proposed extension project based on the findings.

2. Methods and Materials

2.1 Research Design

The study made use of a descriptive type of research which scientifically involves observing and describing the subject without influencing the information in any way (Hatem, 2012). The descriptive method is something more and beyond just data gathering; the latter is not reflective thinking or research. The true meaning of the data collected should be reported from the point of view of the objectives and the basic assumption. With the use of descriptive research in the study, the researchers believed that it served as a useful tool which gave factual information and systematic description for the better understanding and easy interpretation of data. The collection of data was done through appropriate tools. Test of the null hypothesis, findings, and conclusion were made using questionnaire.

2.2 Subject of the Study

The respondents were chosen based on the number of employees. Micro Enterprise are those with not more than to nine (9), and the Small Enterprise are those with employees ranging from ten (10) to (99). The respondents were the managers or the owners of the business, who have knowledge to answer the questions on the questionnaire. The study were participated by 375 respondents out of 5,895 businesses in Lipa City. The researchers used ROASOFT formula to get the sample size of 375 out of 5,985 total populations. The respondents were from the 200 industry, 141 wholesale, 1,793 services, and 3,761 retail.

2.3 Sampling Design

The non-probability sampling was done by merely looking for individuals with requisite characteristics. The sampling technique was usually prepared by the main office with instructions to the field researchers to gather data from samples that meet the prescribed criteria or characteristics. Moreover, the convenience was used by the researchers for the distribution of the questionnaire. They picked out their respondents in the most convenient and fastest way, as affirmed by Subong (2005). It is the process of getting the study that is only available during the period. The researchers used non probability and convenience sampling as sampling design to know how many respondents from Micro and Small Enterprises would be given questionnaires.

2.4 Data Collection

The researcher constructed questions from different sources, in published and unpublished thesis, and textbooks to attain the data that would be needed in this questionnaire. The questionnaire composed of two parts, namely, the demographic profile of the business and set of questions. The first portion of the instrument focused on the demographic profile of the business. It provided information as to their years of existence, business categorization and number of employees. For the second part, the researchers used standardized questionnaire that captured the respondent's assessment on the cash, account payable, inventory, account receivable and the effectiveness of Cash Conversion Cycle to the performance of MSE on the Cash Conversion Cycle to Financial Performance and Non-Financial Performance.

Validation of questionnaire was also made for the purpose of following the correct format of the questions, checking and editing before finalizing and distributing to the respondents. After the validation, the dry run was made. A reliability test or dry run was made to evaluate and determine if the sets of questions were accurate and would provide consistent result to the study. The researchers had 31 respondents. This is to prevent the inconsistency and inaccuracy of the results that may affect the findings of the study. After the reliability test, the results were then submitted to the statistician, she then computed the reliability and the result based on Cronbach's alpha of 0.954, where each questions must not be graded below 0.700. If that so, revision of the questions must be made.

To measure the assessment of the performance of micro small enterprise in Lipa City , the questions were in the form of Likert–type using four point scale–four (4) as the highest and one (1) as the lowest. In terms of the assessment of the performance of micro small enterprise, it was assigned with the following values: 4–strongly agree/ highly effective, 3- agree/effective, 2–disagree /least ineffective and 1 –Strongly disagree/ effective. The researcher assured that the characteristics of a good questionnaire were attained.

2.5 Statistical Treatment

Relative frequency and percentage were used to describe the profile respondents in terms of years of existence, business category and number of employees .Weighted Mean were used to determine the assessment of the respondents on the cash conversion cycle of the enterprise and the effectiveness of cash conversion cycle to the performance of micro and small enterprise. Comparison of Means were used to compare the assessment of the respondents on the cash conversion cycle of the enterprise and the effectiveness of cash conversion cycle to the performance of micro and small enterprise when grouped according to years of existence, business category and number of employees.

3. Results and Discussion

Based on the responses of the respondents, the following findings are determined.

3.1 Profile of the Business

Years of Existence. The profile of the business according to the year of existence pertains to the years of services. Most of the respondents were under the length of operation bracket of 1-3 years with frequency of 127 or 33.9 percent followed by 10 years and above with frequency of 126 or 33.6 percent, then 4-6 years with frequency of 79 or 21.1 percent. However, the respondents' years of existence 7-9 years got the lowest frequency of 43 or 11.5 percent.

Business Category. The profile of the business according to the Business Category pertains to the classification of business to which it belongs such as Micro Enterprise and Small Enterprise. Most of the respondents were under the business category of Micro Enterprise with the frequency of 245 or 65.3 percent on the other hand, under the business category of Small Enterprise which has the frequency of 129 or 34.4 percent.

Number of Employees. The profile of the business according to the number of employees pertains to the classification of business to which it belongs. Most of the respondents were under the number of employee's bracket of 0-9 employees with frequency of 245 or 65.3 percent followed by 10-49 employees with frequency of 112 or 29.9 percent. However, the respondent's number of employee's 50-99 employees got the lowest frequency of 18 or 4.8 percent.

3.2 Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise

Table 1 shows the assessment on Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise.

Table 1. Assessment on the Effectiveness of Cash Conversion Cycle to Financial Performance of Micro and Small Enterprise

	Weighted Mean	Verbal Interpretation
1. The length of cash conversion cycle has a material impact on the profitability of Micro and Small Business.	3.28	Effective
2. The shorter cash conversion cycle are better than the longer ones.	3.17	Effective
3. The management of cash conversion cycle is the work of lower level staff.	2.85	Effective

4. Each business should set its standard level of cash conversion cycle.	3.17	Effective
5. Business relying more on short term financing increases their financial risk and possibility of bankruptcy.	3.12	Effective
6. Business alters the collection procedures to enforce more rapid customer contact regarding overdue accounts.	3.10	Effective
7. Business tightens the credit policy to reduce billings to customers less likely to pay on time.	3.19	Effective
8. Business cancels poorly selling products, thereby eliminating the associated amount of supporting inventory.	3.19	Effective
9. Management of cash conversion cycle is important in increasing the company's profitability.	3.30	Effective
10. The payment terms to suppliers affects cash conversion cycle.	3.17	Effective
Composite Mean	**3.15**	**Effective**

As presented in Table 1, the respondents agreed that Micro and Small enterprise performed good using cash conversion cycle as shown by the composite mean of 3.15 interpreted as Agree or Effective. The highest weighted mean of 3.30 that is number 9 verbally interpreted as Agree or Effective followed by a weighted mean of 3.28 that is number 1and also interpreted as Agree or Effective. On the other hand, the lowest weighted mean has 2.85 which is number 3 interpreted as Agree or Effective followed by a weighted mean of 3.10 verbally interpreted as Agree or Effective.

Based on the result on the table presented, the researcher found out that businesses agreed to all the questions asked but what they most agreed upon are the management of cash conversion cycle is important in increasing the company's profitability. It is because it is a great help for a business if they have a proper management in their business especially regarding their cash conversion cycle. Consequently, it can be seen the product that takes a long period of time to convert into cash.

The next statement is "The length of cash conversion cycle has a material impact on the profitability of Micro and Small Enterprise. It is also based on the length of time where in the cash that was used to purchased materials was sold and become a profit has effect on the profit of the business because if the cash conversion cycle takes a longer period of time to convert to its cash, there is less cash that will circulate in the business operation. Evidently, the respondents agreed that cash conversion cycle has an effect to the performance of their business.

Ballada (2015) stated that the cash conversion cycle described the process by which an entity convert cash into products and then back into cash again. In addition, According to Cabrera (2011), cash conversion cycle is the average length of time involved from the payment of raw materials to the collection of accounts receivables.

Table 2 shows the assessment on Effectiveness of Cash Conversion Cycle to Non- Financial Performance of Micro and Small Enterprise

Table 2. Assessment on the Effectiveness of Cash Conversion Cycle to Non-Financial Performance of Micro and Small Enterprise.

	Weighted Mean	**Verbal Interpretation**
1. The business considers the current cash conversion cycle to be at optimal level.	3.13	Effective
2. The business had operations related challenges due to insufficient funds.	2.91	Effective
3. The business has a total control over suppliers.	3.15	Effective
4. The business regularly budgets for future expenditure.	3.29	Effective
5. The cash conversion cycle has an impact on return on equity.	3.19	Effective
6. The business experiences a cash shortage that affects the business operation.	2.98	Effective
7. There has been a situation when the forecasted values deviated from actual requirements in the business.	2.97	Effective
8. The business assesses the quality of products that were bought and can be inexpensive and flexible source of financing.	3.40	Effective
Composite Mean	**3.13**	**Effective**

As presented in Table 2, the respondents agreed that Micro and Small enterprise performed good using cash conversion cycle as shown by the composite mean of 3.15 interpreted as Agree or Effective. The highest weighted mean of 3.40 belong to number 8 verbally interpreted as Agree or Effective Based on the result presented, the researcher found out that the business agreed to all the questions asked but they most agreed upon are the assessment of the quality and flexibility of the product, the business regularly budget for future expenses and the business has a total control over suppliers. It is essential for a business to assess the quality of the product before being sold to the consumers it is for them to know if the product being sold to the consumers passed the standard. It is also essential if the business regularly budgets for future expenses, it is for the business to prevent some operation related challenges due to insufficient funds. It is necessary that the business has a total control over their suppliers because for example there is a delay on the delivery of the purchased material, it may cause to slow down the business production and its operation.

Brigham & Houston (2010) stated that firms typically follow a cycle in which they purchase inventory, sells goods on credit, and then collect accounts receivable. This cycle is like working capital policy that is designed to minimize the time between the cash expenditures on materials and the collection of cash on sales.

3.3 Comparison of Respondents' Assessment on Cash Conversion Cycle in terms of Years of Existence, Business Category and Number of Employees

Table 3 shows the comparison of the respondents' assessment on Cash Conversion Cycle of the Enterprise in terms of Years of Existence.

Table 3. Comparison of the Respondents' Assessment on Cash Conversion Cycle of the Enterprise in terms of Years of Existence

Years of Existence	Cash to Accounts Payable	Accounts Payable to Inventory	Inventory to Accounts Receivable	Accounts Receivable to Cash
1 – 3 years	3.22	2.83	3.17	3.00
4 - 6 years	3.19	2.81	3.09	2.98
7 - 9 years	3.46	3.01	3.22	3.13
10 years and above	3.45	3.08	3.27	3.11
Total	3.32	2.93	3.19	3.05

It can be gleaned from the table that the assessment on cash conversion cycle in terms of cash to accounts payable when the respondents are grouped according years of existence, 7-9 years obtained the highest mean of 3.46 and such means was interpreted as good. The researchers found out that those who are operating for 7-9 years in their business are more tested and proven. They already build strong foundation having a long year in practice. Most of the businesses which have 7-9 years in operation, monitors the cash inflow and cash outflows of their business, so they can manage their cash.

According to Laro and Pratt (2007) , the longer the existence of a business indicates that they are able to efficiently manage their capital resources as well as to utilize their assets wisely and efficiently. As well as in the study of Dimaculangan, a business that operating in a long period and time had already attained and maintained their capital requirement and they are considered to be efficient. In accounts payable to inventory, 10 years and above obtained the highest mean of 3.09 which was interpreted as good. However, 4-6 years obtained the lowest mean of 2.81 which was interpreted as good.

The researcher found out that those who are operating for 10 years and above have a good cash conversion cycle in terms of their accounts payable to inventory. Because they are operating for 10 years and above, the businesses can easily manage their accounts payable to increase their inventory. According to Sek Hong Ng (2010), the employee's legal entitlement to severance pay upon redundancy as well as the amount payable are closely associated with seniority and determined according to length of service. In inventory to accounts receivable, 10 years and above obtained the highest mean of 3.27 which was interpreted as good. However, 4-6 years obtained the lowest mean of 3.09 which was interpreted as good.

The researcher found out that those businesses that are operating for 7-9 years have a good cash conversion cycle in terms of accounts receivable to cash. With these years, the businesses have good enough knowledge to manage their collection or their cash. According to Medina (2007), the accounts receivable represent collectibles from customers arising from credit sale of goods or service, and not supported by promissory notes. This account is

similar to notes receivable since it represents collectible amounts. However, account receivable is an "open account "because it is not supported by a promissory note.

Table 4 shows the Comparison of the Respondents' Assessment on Cash Conversion Cycle of the Enterprise in terms of Business Category.

Table 4. Comparison of the Respondents' Assessment on Cash Conversion Cycle of the Enterprise in terms of Business Category

Business Category	Cash to Accounts Payable	Accounts Payable to Inventory	Inventory to Accounts Receivable	Accounts Receivable to Cash
Micro Enterprise	3.26	2.87	3.15	3.01
Small Enterprise	3.44	3.04	3.27	3.12
Total	3.32	2.93	3.19	3.05

It can be seen from the table that the assessment on cash conversion cycle in terms of cash to accounts payable when respondents are grouped according to Business Category, Small Enterprise obtained the higher mean of 3.44 and was interpreted as good, however Micro Enterprise obtained a mean of 3.26 which was interpreted as good.

The researchers found out that both small and micro enterprise have a good cash conversion cycle in terms of their cash to accounts payable, but small enterprise have a better conversion of their cash to be able to pay their debt and lessen their accounts payable.

According to Ballada (2014), the law updated the definitions of MSME's by increasing the net assets threshold. Micro enterprises are those with assets before financing of Php 3,000,000 (before Php 1,500,000) or less and employ not more than nine workers. Small Enterprises are those with assets before financing , of above Php 3,000,000 (before Php 1,500,000) to Php 15,000,000) and employ 1 to 99 workers. Medium Enterprises have assets, before financing, of above Php 15,000,000 to 100,000,000 and employ 100 to 199 workers. More than ever, the government should promote and build an entrepreneurial culture and environment to spark an entrepreneurial revolution among the Filipino youth. Moreover, Ng (2010) said Cash is a commodity, it is not an investment. It has to be invested to produce wealth. Theoretically, cash represents an idle resource, unless the cash balance is maintained to meet loan conditions, deposit arrangements, petty cash transactions, or business exigencies. Managing cash is a treasurer's domain, cash balance should be at its optimum and cash flows (inflows and outflows) should be synchronized.

In accounts payable to inventory, small enterprise obtained the higher mean of 3.04 while micro enterprise obtained a mean of 2.87. Both means are interpreted as good.

The researcher found out that both small and micro have a good cash conversion cycle of accounts payable to inventory but small enterprise manage well their accounts payable than micro enterprise that enable them to increase inventory because of the satisfaction in terms of payment to their supplier.

According to Valix, Peralta and Valix (2016), Small and Medium Enterprises as an entity with the total assets between Php 3,000,000 and Php 350,000,000, or with total liabilities between Php 3,000,000 and Php 250,000,000 are not required to file financial statements under SRC Rule 68.1 . This SRC Rule 68.1 pertains to "listed entities" or entities whose securities are traded in an exchange market and entities with assets of at least Php 50,000,000 and have 200 or more holders each, holding at least 100 shares of a class of equity securities. According to Valix et al. (2016), inventories encompass goods purchased and held for resale, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale by a subdivision entity and real estate developer. Inventories also encompass finished goods produced, goods in process and materials and suppliers awaiting use in the production process. In accounts receivable to cash, small enterprise obtained the higher mean of 3.12 and micro enterprise obtained a mean of 3.01, both means were interpreted as good.

The researchers found out that booth micro and small have a good management of their cash conversion cycle in terms of accounts payable to cash but small enterprise was better in monitoring their accounts receivable from their debtor that is the profit of the business and can be used as an additional fund in their business.

Table 5 shows the Comparison of the Respondents' Assessment on Cash Conversion Cycle of the Enterprise in terms of Number of Employees.

Table 5. Comparison of the Respondents' Assessment on Cash Conversion Cycle of the Enterprise in terms of Number of Employees

Number of Employees	Cash to Accounts Payable	Accounts Payable to Inventory	Inventory to Accounts Receivable	Accounts Receivable to Cash
1 -9	3.26	2.87	3.15	3.01
10 – 49	3.43	3.04	3.27	3.10
50 – 99	3.49	3.09	3.30	3.22
Total	3.32	2.93	3.19	3.05

It can be seen from the table that the assessment on cash conversion cycle in terms of cash to accounts payable when respondents are grouped according to number of employees, 50-99 employees obtained the higher mean of 3.49 which was interpreted as good. However, 1-9 employees obtained the lowest mean of 3.26 in which it was interpreted as good.

The researcher found out that having these numbers of employees makes their managers be fair for the wages of their employees. It usually helps to motivate their employees to work in a long period of time. The business owner or the manager considers their employees, where they fall in their ranges related to experience, skills, and performance to determine how they will pay it.

According to De Cenzo, Robbins and Verhulst (2013), when facing multiple tasks often on a number of projects, more employees are required at all levels to delegate some activities and responsibilities to another organizational member. Employees are expected to make decisions without the benefit of tried and through past decisions although delegation was once perceived as something that managers did with lower level of employees. Group decision making gives employees more input into the process and great access to needed information. In short, useful employee needs training and that when HRM can make a valuable contribution.

In Account Payable to Inventory, when respondents are grouped according to the number of employees, enterprises with 50-99 employees obtained the highest mean of 3.09. Enterprises with 10-49 employees with a mean of 3.04, followed by the enterprises that have a range of 1-9 employees at got the lowest mean of 2.87.

It was found out that having these number of employees, can help a business manage its payments, a supplier may provide credits terms, which may allow a business to pay for its inventory over a period of weeks. If a business is investing too much money in inventory that is not turning over, the lack of sales revenue can put the business in the position of not being able to pay its account payable to its supplies which with could result in the loss of a supplier or a poor credit rating.

In addition, the decision to hire an employee is an important part for every business but its impact is modified many times in small company. Bad hires can poison a small company. Unfortunately, hiring mistakes in business are all too common. Hiring mistakes are incredibly expensive and no organization especially small one can afford for many of them. Most of small businesses commit mistake in hiring because they lack the human resource expert and the disciplined hiring procedure (Scarborough, 2013).

In Inventory to Accounts Receivable, when respondents are grouped according to the number of employees, enterprise with 50-99 employees obtained the highest mean of 3.30. Enterprises with 10-49 employees with a mean of 3.27, followed by the enterprise that has a range of 1-9 employees got the lowest mean of 3.15.

The researcher found out that having these numbers of employees can easily monitor their inventory if they have an inventory system. It can help the managers of the business to determine whether it is a good investment play or not. Having too small or large number of employees, businesses stay efficient and competitive by keeping inventory levels down and speeding up collection of what they are owed..

In Accounting Receivable to Cash, when respondents are grouped according to the number of employees, enterprises with 50-99 employees obtained the highest mean of 3.22. Enterprises with 10-49 employees with a mean of 3.10 were followed by the enterprises that have a range of 1-9 employees which got the lowest mean of 3.01.

The researcher found out that enterprise having these numbers of employees have their own way to collect their receivable on the customer. Many small businesses creator options to manage their cash flow, while retailing good customer. And also it may have credit managers who decided what business credit is worthy. The business managers have knowledge in practicing credit collection policy to monitor their receivable that will help to the business to be active and productive.

Having the employees in a business influences the development of the production activity. Traditionally, employees perform their jobs according to the manager direction. Having a large number of employees may affect the product and at the same time when there are fewer employees. Having a more knowledgeable employee can help the business to be more active and productive. The intellectual capital and the movement toward high performance may lead the business to success (Castro, Greg and Zulueta, 2012).

Table 6 shows the Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Years of Existence.

Table 6. Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Years of Existence

Years of Existence	cash conversion cycle to financial performance	cash conversion cycle to non-financial performance
1 - 3 years	3.15	3.13
4 - 6 years	3.07	3.06
7 - 9 years	3.22	3.18
10 years and above	3.19	3.15
Total	3.15	3.13

It can be seen from the table that the assessment on the effectiveness in terms of cash conversion cycle to financial performance when respondents are grouped according to years of existence, 7-9 years obtained the higher mean of 3.22 which was interpreted as effective. However, 4-6 years obtained the lowest mean of 3.07 which was also interpreted as effective.

The researcher found out that having a long term of services, the businesses have their own ways to monitor the performances of income or losses of the businesses.

According to Burns, Quinin, Warren and Oliveira (2013), performance measurement is about seeing how an organization is doing, in comparison to its aims and objectives. It is a way of gauging how well (or not) an organization is doing against its short and long term goals and targets. Traditionally, performance measurement constitutes a role that has taken up a significant part of a management accountant's time but primarily: (1) involving the measurement of financial (or financially related) performance. (2) comprising comparison of actual performance measures against historic targets, and (3) encompassing more of a controllership and policing remit for accountants

In the assessment on the effectiveness in terms of cash conversion cycle to non-financial performance when respondents are grouped according to years of existence, 7-9 years obtained the higher mean of 3.18. However, 4-6 years obtained the lowest mean of 3.06.

Table 7 shows the Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Business Category

Table 7. Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Business Category

Business Categorization	cash conversion cycle to financial performance	cash conversion cycle to non financial performance
Micro Enterprise	3.15	3.14
Small Enterprise	3.16	3.12
Total	3.15	3.13

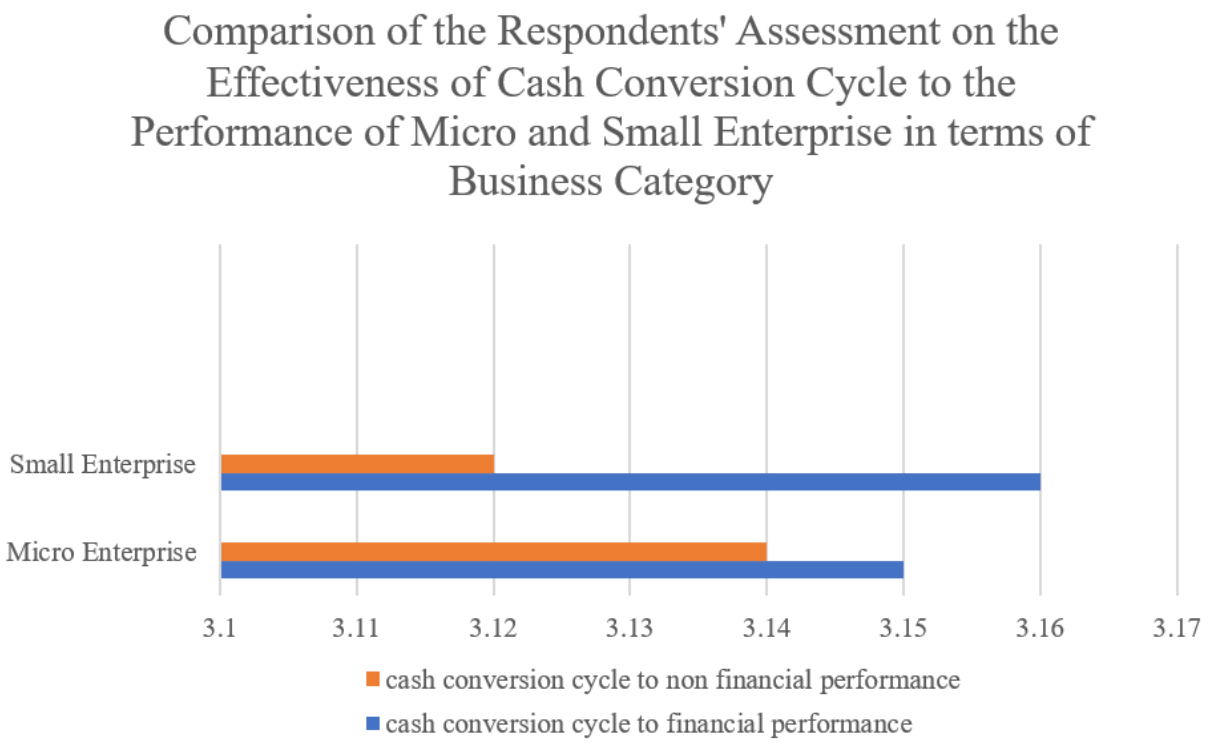

Figure 1. The assessment on the effectiveness in terms of cash conversion cycle to financial performance

It can be seen from the table/figure that the assessment on the effectiveness in terms of cash conversion cycle to financial performance when respondents are grouped according to business categorization, small enterprise obtained the higher mean of 3.16 which was interpreted as effective and micro enterprise obtained a mean of 3.15 which was also interpreted as effective.

The researcher found out that small and micro enterprise have an effective cash conversion cycle that may affect its financial performance but small enterprise is greater that micro enterprise in terms of number of mean and their management of cash conversion cycle.

According to Charantimath (2009), the small and medium enterprise (SME) sector is one of the fastest growing industrial sectors all over the world. Many countries of the world have established a SME Development Agency (SMEDA) as the nodal agency to coordinate and oversee all government intervention is respect of the development of this sector. Small scale industry sector has, over the past six decades, acquired a prominent place in the socio-economic development in the country. The sector has exhibited positive growth trends even during the periods when other sectors of the economy experienced either negative or nominal growth.

In the assessment on the effectiveness in terms of cash conversion cycle to non-financial performance when respondents are grouped according to business category, micro enterprise obtained the higher mean of 3.14 and small enterprise obtained a mean of 3.12 both interpreted as effective.

The researcher found out that micro enterprise has more effective cash conversion cycle that may affect its non-financial performance than the small enterprise. Micro enterprise is better than small enterprise in terms of management of cash conversion cycle to prevent or minimize the effect in business operation challenges that may affect the business.

Table 8 shows the Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Number of Employee.

Table 8. Comparison of the Respondents' Assessment on the Effectiveness of Cash Conversion Cycle to the Performance of Micro and Small Enterprise in terms of Number of Employee

Number of Employees	cash conversion cycle to financial performance	cash conversion cycle to non financial performance
1 – 9	3.15	3.14
10 – 49	3.16	3.12
50 – 99	3.13	3.08
Total	3.15	3.13

It can be seen from the table that the assessment on the effectiveness in terms of cash conversion cycle to financial performance when respondents are grouped according to number of employees, 10-49 bracket obtained the highest mean of 3.16. Such mean is interpreted as effective. On the other hand, the assessment on the effectiveness in terms of cash conversion cycle to non-financial performance when respondents are grouped according to number of employees, 1-9 bracket obtained the highest mean of 3.14 and interpreted as effective.

However, the assessment on the effectiveness in terms of cash conversion cycle to financial performance and cash conversion cycle to non-financial performance when respondents are grouped according to number of employees, 50-99 bracket obtained the lowest means of 3.08 and 3.13; respectively. Such means were interpreted as good.

The researchers found out that having a small number of employees, have their own ways to examine or monitored the performances of their income, expenses, gain, losses, net income or loss. Having knowledgeable employees can help to increase their income earned by its resources and also to be more active and productive the firm's performance.

Based on the result of the study, the researchers proposed an business seminar activity for the business owners and managers that will take place at Lipa City, two times a year. This will help the locale of the study to have proper knowledge about cash conversion cycle and how it will be useful to the business to improve their performance. The researchers included a result area to achieve the given objectives in terms of internal control for Cash, Accounts Payable, Inventory and Accounts Receivable. This activity will help the business owners and managers to enhance their business to be more productive and achieve their common goal to properly apply the knowledge they have learned from the business seminar to their businesses.

4. Proposed Extension Activity

Based on the result of the study, the researcher proposed a business seminar activity for the business owners and managers that will take place at Lipa City, two times a year. This will help the locale of the study to have proper knowledge about cash conversion cycle and how it will be useful to the business to improve their performance. The researcher included a result area to achieve the given objectives in terms of internal control for Cash, Accounts Payable, Inventory and Accounts Receivable. This activity will help the business owners and managers to enhance their business to be more productive and achieve their common goal to properly apply the knowledge they have learned from the business seminar to their businesses. The seminar will provide additional knowledge, familiarization on different terms in management of cash conversion cycle. The participants will learn effective skills to properly manage ongoing or projected programs of cash conversion cycle and management.

5. Conclusion

Based on the findings, the following conclusions are drawn: majority of enterprises in Lipa City were Micro-Type, has 0-9 employees and 1-3 years of existence. The assessment of cash conversion cycle of micro and small enterprises in terms of cash to account payable, accounts payable to accounts receivable, inventory to accounts receivable and accounts receivable to cash were effective. The assessment of effectiveness of cash conversion cycle on the performance of micro and small enterprises such as conversion cycle to financial performance and cash conversion cycle to non-financial performance were effective. The study concluded that the comparison of the respondents' assessment of cash conversion cycle of the enterprise in terms of cash to accounts payable, accounts payable to inventory, inventory to accounts receivable and accounts receivable to cash when respondents are grouped according to years of existence 7-9 years and 10 years and above bracket have the highest mean, In the business category, small enterprise obtained a higher mean and in number of employees 50-99 bracket obtained the highest mean. The assessment on the effectiveness in terms of cash conversion cycle to financial performance and non-financial performance when grouped according to years of existence, 7-9 years obtained the highest mean, in the business category small enterprise obtained the higher mean in financial performance while in non-financial performance micro enterprise obtained the higher mean and in number of employees 10-49 bracket obtained the

highest mean in financial performance. On the other hand, 1-9 brackets obtained the highest mean in non-financial performance.

6. Recommendation

In the light of the findings and conclusions of the study, the researcher came up with the following recommendations; proposed extension activity be received and be considered for implementation by the concerned agency. The researcher recommended that similar studies should be conducted to update and validate further findings for this study. The researcher recommended to conduct similar researches to determine what specific assistance and support the micro and small enterprises in Lipa City needed the most and on the impact of government assistance programs for businesses as well.

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