



Describing the Level of Awareness of Micro-Enterprises in Local Taxation

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Abstract

Background: Local taxes play a vital role in contributing significant socio-economic development and welfare in the city. This paper describes the level of awareness of micro-enterprises in local taxation.

Objective: This study wants to comprehensively describe and conduct a detailed analysis of the level of awareness among micro-enterprises regarding local taxation in Pagadian City, how such awareness helped these owners manage their business operations, and where they stay informed about local tax ordinances.

Method: This research employed a mixed-methods sequential explanatory design using a survey questionnaire. Then, the weighted mean and standard deviation, with the help of SPSS, were used to analyze the quantitative part of the research. It drew inspiration from Sharan Merriam's work, which emphasized the importance of patterns and themes.

Results: This study revealed that micro-enterprise owners exhibit a high level of awareness regarding business taxes but need more awareness of amusement taxes. Awareness helped the owners in their business operations in the following ways: avoid penalties, smooth business operation, good decision-making, proper management, improvement skills, lessening tax stress, good reputation, successful business, business improvements, understanding customers, and properly registered. Additionally, the Bureau of Internal Revenue (BIR) emerged as the predominant source of knowledge concerning local tax ordinances.

Conclusion: In Pagadian City, most micro-business owners understand local taxes. They know about Business Tax, which applies to all businesses, regardless of size. However, they must learn about amusement taxes due to the complex Philippine tax system.

Keywords: local tax ordinances, tax awareness, Philippine taxation, micro-enterprises, taxation

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1. Introduction

Tax is the 'lifblood' of the government — providing funds for public services, building infrastructures, healthcare, education, ensuring national security, and supporting welfare programs. A country's ability to provide its people with services and to make the economy grow steadily is mainly because of the taxes (Meidawati, 2022). Tax and tax policy lie at the state's core, embodying choices regarding the collaboration between the public and private sectors (Campbell, 2019). Government spending is prone to be financed by the country's augmented state earnings, a portion of which originates from taxes (Kalesaran, 2023). Taxes are the money that the government collects from individuals and businesses to support the services and benefits provided for the people. Taxes are a means by which individuals and properties make fair and balanced financial contributions to the government, which is authorized by the state's authority. These contributions sustain the government and meet public requirements (Enrico D. Tabag, 2022). The tax collected from businesses, including Micro-Enterprises, generates revenue and supports economic development and stability. Levying tax compliance and tax obligations from Micro-Enterprises can help the government foster steady, sustainable growth and a thriving business environment.

In the context of the Philippines, the proportion of funds obtained from domestic origins compared to those garnered from outside origins demonstrates that local administrations receive substantially more financial assistance from the national or central government than they generate from their endeavours. The failure to entirely achieve their anticipated income is ascribed to ineffective collection of funds and disparities in tax collection proportions. Consequently, the local government units rely on their internal revenue allotment (IRA) (Marasigan et al., 2009).

Local governments have the power to institute taxes, fees, and charges. The legislation specifies that every local government unit can create its sources of income and impose taxes, fees, and charges, provided they adhere to the standards and constraints established by Congress. This transfer of authority is in harmony with the core principle of local self-governance. Significantly, all proceeds arising from these taxes, fees, and charges are exclusively earmarked for the advancement of the respective local governments. Local government units secure their finances from both internal and external origins. External sources include shares from national taxes, grants, special laws, loans, and aid.

On the other hand, internal sources include income from taxes, specifically real estate taxes, business taxes, non-tax income from government business activities, proceeds from the sale of government assets, and various fees. The capability of local governments to tap into these funding channels, whether for investing in infrastructure or providing essential services, significantly contributes to accelerating economic growth and poverty alleviation (De Vera, 2003). Regarding real estate taxes, provincial governments are responsible for their collection through local government units. Since natural properties are immovable and visible, taxes imposed on them have considerable potential for augmenting local revenues (Marasigan et al., 2009). Nonetheless, the total real estate taxes collected have fallen below 60% in recent years.

Pagadian City, situated in the heart of the Zamboanga Peninsula in the Philippines, is a thriving urban centre characterized by diverse economic activities encompassing trade, commerce, and tourism. The local government of Pagadian City assumes a crucial role in facilitating the city's progress and development by implementing well-defined policies, programs, and projects tailored to address the needs of its residents and businesses. As part of its revenue mobilization strategy, the local government enforces a range of local taxes on both businesses and individuals. Taxation is crucial for local development in Pagadian City, but more research is needed on micro-enterprise owners' tax awareness and compliance. Existing studies need a comprehensive understanding of these factors and the sources from which they acquire knowledge about local taxes. By effectively managing and harnessing these local tax revenues, the local government of Pagadian City endeavours to create a conducive environment that promotes sustainable economic growth and development while simultaneously upholding principles of equitable fiscal governance. Pagadian City operates under a democratic political structure comprising three branches: the executive branch, led by the municipal mayor; the legislative body responsible for crafting local laws and ordinances; and the judicial branch, represented by the Courts of Justice, which interprets these ordinances. These three branches work together, coordinating their functions to facilitate local development (Gabriel, 2017).

Although taxation plays a crucial role in fostering local development in Pagadian City, more comprehensive studies on this subject still need to be conducted. While extensive research has focused on tax awareness and compliance among Micro-Enterprises, a thorough examination of the existing literature reveals a significant gap in the exploration of tax awareness among micro-enterprise owners. Specifically, published studies have yet to investigate the level of tax awareness among these owners and the potential benefits it can bestow upon their business operations. Additionally, the sources from which these micro-enterprise owners acquire knowledge about local taxes have yet to be adequately addressed in the current body of literature. Consequently, a comprehensive inquiry into these aspects would offer valuable insights and contribute to a more holistic understanding of the role of taxation in the local development of Pagadian City. Knowing local taxes is a fundamental aspect of responsible business management for micro-enterprise owners, ensuring compliance, optimizing financial planning, enhancing competitiveness, and fostering a positive impact on the local economy and community.

2. Literature Review

The study was anchored on Adam Smith's Moral Sentiments Theory in 1795, which described a system of morality based on a constant process of learning that also offered insights into the motivations and behaviours of individuals in taxation. Smith's theory argued that humans possessed an innate moral sense that guided their actions and social interactions—in the context of the importance of tax awareness on local taxes in Pagadian City, Smith's Moral Sentiments theory suggested that promoting tax awareness could be considered morally responsible. When individuals in the community were aware of their tax obligations and the impact of taxes on the local economy and public services, they were more likely to comply with tax regulations willingly. This compliance stemmed from a sense of duty and understanding that contributing to local taxes benefited the community.

2.1. Tax Awareness

According to (Jotopurnomo, 2013), awareness is the state of knowing and being cognizant of a specific thing or matter, while taxation is something about the state of being aware of tax-related matters. Tax awareness refers to the fundamental understanding of tax laws and principles that apply to a transaction (Adellia & Islami, 2020); it also acknowledges and adheres to the relevant tax regulations earnestly while actively seeking to fulfil one's tax responsibilities (Negara, 2018). Tax awareness contributes to a higher positive tendency for tax compliance than penalties (Oladipupo & Obazee, 2016). Taxpayer awareness is crucial to government funding to encourage compliance with tax obligations (Andreas & Savitri, 2015).

Tax awareness is crucial for micro-business owners as it enables them to navigate the complex landscape of tax regulations, obligations, and incentives. Understanding tax laws and compliance requirements helps micro-business owners minimize tax liabilities, avoid penalties, and optimize financial planning. Moreover, tax awareness facilitates informed decision-making regarding business structure, investment strategies, and growth opportunities. Additionally, it empowers micro-business owners to take advantage of available tax deductions, credits, and incentives, ultimately contributing to their businesses' overall financial health and sustainability. Therefore, fostering tax awareness among micro-business owners is essential for promoting compliance, reducing financial risks, and maximizing economic efficiency (N. Abd. Hamid et al., 2022).

By fostering tax awareness, the local government of Pagadian City could encourage a culture of civic responsibility and social cooperation. When residents knew the purpose and benefits of local taxes, they might have been more willing to participate in tax-paying activities, knowing that their contributions helped support essential public services such as education, healthcare, infrastructure, and other community development initiatives.

Understanding tax laws and regulations enables business owners to accurately calculate and fulfil their tax obligations, avoiding penalties and legal issues. Moreover, tax planning allows micro-business owners to optimize their financial strategies, minimize tax liabilities, and maximize profits. Additionally, tax awareness fosters transparency and accountability in financial reporting, enhancing

the business's credibility and facilitating access to financing and investment opportunities (Ginting, 2023).

Furthermore, tax awareness could lead to greater transparency and accountability in allocating and utilizing tax revenues. Informed citizens were more likely to demand proper management of public funds, ensuring that tax revenues were used efficiently and effectively for the betterment of the community.

Conversely, (Bornman, 2019) emphasizes that understanding taxes is crucial for taxpayers to know and fulfil their obligations and entitlements. Furthermore, tax knowledge merges tax regulations with financial competence, allowing taxpayers to comprehend the financial consequences of taxation (Kurniawan, 2020). Research indicates that the level of a taxpayer's comprehension of tax regulations significantly influences their compliance behaviour (Ramaly, 2021). Furthermore, (Albab, 2021) discovered in their study that a lack of tax awareness posed a significant challenge to cultivating a voluntary tax compliance attitude.

2.2. *Tax Compliance*

In a country, attaining economic stability is essential to perceive tax compliance as the willingness of taxpayers to adhere to legal requirements. (Andreoni, 1998) Business owners who know the terms of tax compliance adhere more to tax laws, resulting in more tax revenues for the government. Awareness and taxpayer compliance contribute significantly to the increase in tax revenue (Suyanto & Trisnawati, 2016). A state's tax revenue can increase if individuals are responsible for paying taxes as the number of taxpayers rises annually (N. et al. S. Hamid, 2022).

According to (Biru, 2020), compliance with tax laws and regulations enables micro business owners to avoid costly penalties, audits, and legal disputes, which can significantly impact their financial viability and reputation. Furthermore, maintaining accurate and timely tax records facilitates efficient financial management, decision-making, and access to external financing sources. Additionally, tax compliance enhances business operations' integrity and transparency, contributing to a favourable perception among stakeholders, including customers, suppliers, and investors (Wadesango Newman et al., 2018). Therefore, prioritizing tax compliance is essential for the long-term sustainability and growth of micro-businesses in both domestic and international markets.

3. **Method**

3.1. *Research Design*

The research employed a method known as the mixed-methods sequential explanatory design. This approach comprised two distinct phases: one involving numerical data (quantitative) and the other involving textual information (qualitative) (Purwanto et al., 2021; Wipulanusat et al., n.d.). Initially, a researcher gathered and scrutinized the quantitative data. Subsequently, the qualitative data were collected and examined, offering a deeper understanding of the quantitative findings from the first phase. The qualitative stage extended and enhanced the initial quantitative phase, with an intermediate connection between them. This methodological choice was driven by the desire to obtain a comprehensive grasp of the research problem through quantitative data, which was subsequently refined and elucidated by delving more deeply into participants' perspectives through qualitative analysis (Purwanto et al., 2021; Wipulanusat et al., n.d.)

The advantages and disadvantages of this mixed-methods design have been extensively debated in the scholarly literature (Purwanto et al., 2021). Its strengths encompass simplicity and the capacity to explore quantitative findings in greater detail. This approach proves valuable when unforeseen results emerge from quantitative investigations (Wipulanusat et al., n.d.). Nonetheless, the limitations of this design revolve around the time and resource demands necessary for collecting and analyzing both data types.

3.2. *Sample / Participants*

The target participants of the study were the selected Micro-Enterprises within the City of Pagadian. By using survey sampling, the survey's target population was selected. Based on the list provided by the licensing department to the researchers, it was found out that there are five hundred three (503) registered micro-enterprises in the city. However, the researchers only chose thirty (30) micro-enterprises to be a research participant of the study. According to (Wu & Thompson, 2020), a sample size of 30 can be suitable in certain situations, mainly when the population is large and homogenous. Furthermore, they further state that a dataset comprising 30 observations should offer adequate information for drawing a statistically valid inference regarding a population. As stated in their study, recognized as the Law of Large Numbers, this principle asserts that the accuracy of findings improves as the sample size increases.

3.3. *Instrument(s)*

The researchers in this study intended to gather data through an adapted survey questionnaire to collect quantitative and qualitative data. The survey questionnaire was adapted from the study of (Paco, 2022). The validity Test is employed to assess the extent to which the questions within the questionnaire effectively capture the intended constructs. A questionnaire is deemed valid when its items successfully reveal the measured aspects. Validation testing can be conducted by examining the Pearson correlation coefficient and its corresponding significance level (Sig). If the obtained Pearson correlation value surpasses the critical R-value, the item is considered valid. Test Reliability is utilized to assess variables or constructs within a study. The reliability of a questionnaire is established when individuals consistently provide similar responses, thereby demonstrating stability across the construct variable or time.

3.4. *Data collection procedures*

The researchers initiated the process by securing a formal letter from the instructor, research adviser, and research director, asking permission to identify and know the various Micro-Enterprises in Pagadian City. The researchers sent the letter to the City Licensing and Permits Office Head. Subsequently, the researchers conducted an on-site examination at the City Licensing and Permits Office to identify the number of Micro-Enterprises in Pagadian City. They took an approach to determine the established Micro-Enterprises within the city and selected the specific business owners or representatives based on the identification criteria for research participants. After that, the researchers computed the total population by aggregating the gathered information.

The researchers utilized an adapted survey questionnaire as the research instrument. The researchers actively confirmed the instrument's reliability by obtaining approval for the questionnaire. Subsequently, they prepared the questionnaire for printing and distribution to the participants.

The researchers kept the participants' perspectives and survey questionnaire answers confidential. The researchers first prepared a letter requesting the participants' consent to participate in the study, which the research adviser further approved. The letter incorporated the researchers' intentions, the informed consent provided by the research participant before conducting the survey, and the ethical measures the researchers implemented regarding the responses to the survey questionnaire.

This portion involved the actual method for gathering and collecting participant data. The researchers first asked the participants' permission through a formal letter to ensure their willingness and intellectual honesty in this study. The researchers then explained the nature and objective of the study before providing the survey questionnaire so that the participants could understand the method and the significance of their participation and involvement.

3.5. *Data analysis*

The mixed method approach, which combines quantitative and qualitative methodologies, proved to be a powerful statistical treatment in this research. By blending the strengths of these two methods, the

researchers could gain a deeper understanding of the data gathered in both the qualitative and quantitative questions. Quantitative data provided statistical rigour and allowed for generalizability, while qualitative data offered rich insights into human experiences and motivations. The quantitative

The quantitative part of the research was analyzed using the weighted mean and standard deviation using the SPSS, providing valuable insights into the numerical data. For analyzing the qualitative part, the study drew inspiration from Sharan Merriam's work, which emphasized the importance of identifying patterns and themes in qualitative data that took time to establish through simple reading. The initial step involved creating categories or themes to structure and evaluate the data. The subsequent step focused on arranging the identified categories and their associated data within each category. Finally, the process included assigning descriptive and meaningful names to the categories or themes that surfaced during the data analysis. Employing mathematical coding and categorical analysis as powerful tools, researchers delved into the qualitative data to uncover underlying themes and gain a deeper understanding of the study (Merriam, 1998).

4. Results

4.1 Survey Response Rate

A sum of 30 survey questionnaires was distributed among a diverse range of small enterprises. Gratifyingly, all 30 completed questionnaires were successfully collected, reflecting a remarkable survey response rate of 100%. As stated in scholarly literature, achieving a 60% or higher response rate in real-world surveys is a paramount objective for researchers to ensure the precision and dependability of collected data (Fauziati, 2020). Consequently, the attained response rate in this study, precisely 100%, is exceedingly commendable. It signifies the collective engagement, seamless cooperation, and provision of precise information by the research participants.

4.2 Level of Awareness of Micro-Enterprises in Local Taxation

This section presents descriptive statistics about the initial objective of this research, which aims to assess the degree of tax awareness among micro-enterprise proprietors concerning various categories of local taxes. Descriptive statistics are concise, informative indicators designed to summarize a particular dataset, whether representing the entire population or a subset thereof. The descriptive statistics utilized encompass calculating the mean and standard deviation and the subsequent analysis for each hypothesized range of means.

Table 1. Level of Awareness of Micro-Enterprises in Local Taxation

| Types of Local Taxes | Mean | SD | Interpretation |
|----------------------------------|-------------|-------------|-----------------|
| a) Withholding Tax – Compensated | 3.00 | 0.69 | Aware |
| b) Withholding Tax – Expanded | 3.07 | 0.78 | Aware |
| c) Percentage Tax | 2.80 | 1.03 | Aware |
| d) Excise Tax | 2.87 | 0.78 | Aware |
| e) Real Property Tax (RPT) | 3.10 | 0.80 | Aware |
| f) Business Tax | 3.50 | 0.63 | Extremely Aware |
| g) Payroll Tax | 3.10 | 0.71 | Aware |
| h) Documentary Stamp Tax | 2.80 | 0.96 | Aware |
| i) Professional Tax | 2.60 | 1.04 | Aware |
| j) Community Tax (Cedula) | 3.17 | 0.87 | Aware |
| k) Amusement Tax | 2.00 | 1.08 | Slightly Aware |
| l) Franchise Tax | <u>2.50</u> | <u>1.14</u> | Aware |
| Overall Mean and SD | 2.88 | 0.17 | |

Note: SD – Standard Deviation. Hypothetical Mean Range: 1.00 – 1.75 = Not at All Aware, 1.76 – 2.50 = Slightly Aware, 2.51 – 3.25 = Aware, 3.26 – 4.00 = Extremely Aware.

4.3 Ways that Awareness Helped Micro-Enterprise Owners in their Business Operation

This section displays the participants' responses under section 3 of the survey questionnaire number 1 about how awareness helps micro-business owners run their businesses. The presentation of these responses aimed to provide readers with information, enabling them to comprehend and recognize how much awareness contributed to fulfilling their business responsibilities.

The subcategories from this category were Avoid Penalties, Smooth Business Operation, Good Decision Making, Proper Management, Improve Management Skills, Lessen Tax Stress, Good Reputation, Successful Business, Business Improvements, Understand Customers, and Properly Registered.

4.4 Primary Source of Local Tax Ordinance knowledge

This section presents the percentage frequency statistics about participants' second responses within section 3 of the survey questionnaire number 2. The focus here is on identifying the principal sources or mediums through which micro-enterprise owners gather information about the diverse local taxes imposed in the city. Using the percentage frequency statistics within this research is an integral, valuable analytical instrument.

Table 2. Local Tax Ordinance Source of Knowledge

| Sources of Information | f | Percentage |
|-------------------------------------|----|------------|
| a) Bureau of Internal Revenue (BIR) | 13 | 43% |
| b) Local Government (LGU) | 9 | 30% |
| c) Trainings and Seminars | 2 | 7% |
| d) Social Media | 2 | 7% |
| e) Accounting Offices | 1 | 3% |
| f) Main Branch Office | 1 | 3% |
| g) Other Businesses | 1 | 3% |
| h) Television | 1 | 3% |
| Total | 30 | 100% |

5. Discussion

Under 4.2, table 1 shows the level of awareness of micro-enterprises in local taxation exhibited a result where participants were mainly aware of withholding tax – compensated (aware), withholding tax – expanded (aware), percentage tax (aware), excise tax (aware), real property tax (aware), payroll tax (aware), documentary stamp tax (aware), professional tax (aware), community tax (aware), and franchise tax (aware). In contrast, participants were highly aware of business tax (extremely aware) and were slightly aware of amusement taxes (slightly aware). Both local tax types were the highest and lowest-rated among all local tax types, respectively. Most micro-enterprises were aware of such local taxes in Pagadian City, falling into the interpretation of "aware" since the overall mean presents a total of 2.88.

The statistical analysis, including the mean, standard deviation, and interpretation, reveals that most research participants know most local taxes among Pagadian City micro-enterprises. This means that a person's understanding of the tax system is closely connected to how well they know tax laws. When people better understand and follow their tax obligations, it leads to improved tax compliance. Increased awareness among taxpayers is expected to result in better compliance with tax rules and regulations. This assertion aligns with findings from a study conducted by (Tajpour et al., 2022), which demonstrated the substantial role of tax awareness in predicting tax compliance behaviour.

Moreover, tax awareness is vital in shaping taxpayers' payment patterns. Notably, the level of tax awareness is acknowledged as one of the critical determinants of tax compliance behaviour. Tax awareness entails an individual's understanding of the local tax laws relevant to their specific tax concerns.

Adam Smith's Moral Sentiments theory suggests that individuals are guided by moral duty and social approval. When we apply this idea to business owners and their awareness of business taxes, it becomes evident that the societal expectation for ethical behaviour influences them. Business owners, driven by a moral sense, recognize their responsibility to comply with tax regulations. Being extremely aware of business taxes aligns with this moral sentiment, as it reflects a commitment to ethical business practices, contributing to social trust and approval. In essence, the awareness of taxes among business owners manifests their adherence to moral principles as they strive to fulfil their societal obligations and maintain a positive ethical standing.

Under 4.3, different subcategories have emerged, namely: *Avoid Penalties*. The first subcategory that was extracted from this category was to Avoid Penalties. The following statements provide evidence for this:

"Awareness helps my business by keeping track of the laws and regulations of the government and avoiding paying big penalties." – P3

"To avoid penalty and close business." – P9

"*Kay kung dili ka aware sa imong mga taxes na bayaran the more magkadugay the more nga magkadako ang bayrunon tungod sa interest. [If you are not aware of the taxes you need to pay, the longer you delay, the more the amount you owe will increase due to interest.]*" – P10

"We are only a staff in this establishment, but in business, you should know all kinds of taxes to avoid a penalty in the future, clearing from our government taxes responsibilities." – P14

"Running a business helps a lot because it is one factor in the business industry for us to contribute to the community, and we should be aware of that. In addition, we shall not subjected to penalties and sanctions." – P16.

"Based on my experience, I have a friend who is not aware of taxes and did not pay on time, which leads him to pay a larger amount because of penalties by the BIR." – P19.

"Being aware of the taxes and paying the amount on what is due on us may not lead us to penalties." – P23.

"*Sa pagbayad ug insaktong buhis makalikay sa dako nga balayrunon. [Paying the correct taxes can help avoid significant penalties.]*" – P25

"High awareness less in penalty." – P26

"Awareness of taxes great help in order not to pay bigger penalties." – P28

"As a business owner, being aware of the taxes is one of the ultimate things you needed to consider for it may not lead you to pay higher taxes due to penalties." – P30.

During the researchers' interview with some micro-business owners during the distribution of survey questionnaires, a participant said that running a business is your job as an owner to be knowledgeable about taxes to avoid paying tax penalties. Tax awareness is pivotal in minimizing the risk of tax penalties.

Smooth Business Operations. The second subcategory that emerged was running a smooth business operation. Running a smooth business operation is vital for sustained success and profitability. It ensures efficient use of resources, minimizes disruptions, and enhances customer satisfaction. A well-organized business operation increases productivity, reduces costs, and enables timely delivery of products or services. Moreover, it fosters a positive work environment, boosts employee morale, and facilitates better decision-making. The following statements provide evidence for this:

"As in business, awareness will help us think and make decisions. Being aware of having and running a business will have a great impact towards the owner and to the company also to run the business smoothly." – P6.

"It helps my business run smoothly because being aware of those taxes mentioned makes me safe from penalties." – P8.

"It helps run our business smoothly that aligns with the laws & regulations of the government." – P15.

"*Makatabang gayod ang kahibalo sa balaod aron hapsay ang pag Negosyo.* [Knowledge of the law is very helpful in conducting business properly.]" – P24

"It helps in running my business smoothly with no irregularities that may lead to business closure." – P29.

Efficient business operations depend on a nuanced comprehension of tax implications. Awareness of tax obligations is imperative for seamless financial management and regulatory compliance. This pertinence arises from the interplay between business activities and the tax landscape, wherein a comprehensive understanding of tax liabilities and obligations is indispensable.

Good Decision Making. The third subcategory that emerged is to have good decision-making. Effective decision-making is a cornerstone of organizational success and viability within the business milieu. The significance of sound decision-making transcends the confines of individual choices and permeates the entire enterprise fabric. A participant said that:

"It helps me so that I can put in the work required to make informed guesses, which leads me to practical decision making." – P1

"Help us to become a decision-maker and give us more self-confidence." – P4

Sound decisions are instrumental in fostering a positive organizational culture. When employees witness thoughtful and well-informed choices being made at the leadership level, they instil confidence and cultivate a sense of purpose. Good decision-making ensures that resources, be they time, finances, or personnel, are allocated judiciously.

Proper Management. The fourth subcategory that emerged is proper management in the business. Effective business management is fundamental for success, simplifying complex tasks and ensuring a smooth operational flow. Think of management as an orchestra conductor, orchestrating different elements to create a harmonious melody of productivity. An owner mentioned:

"To help me improve on how to manage the business properly." – P13

In an interview conducted during the distribution of survey questionnaires, micro-business owners said that proper management is the compass that guides a business through the maze of challenges and opportunities. It simplifies complexities, promotes teamwork, and ensures the business operates like a machine. It is the secret sauce that turns potential into performance. Organized management practices facilitate accurate record-keeping.

Improve Management Skills. Prioritize organized financial record-keeping, stay updated on tax regulations, and foster open communication to ensure efficient tax compliance. Encourage adaptability, support employee development, and maintain a customer-centric approach for sustained success. A respondent said that;

"Running a business requires information, knowledge, and marketing skills. Management skills are key to the success of a business. Sometimes a lack of self-awareness can lead to a business failure." – P12.

Effective management involves the adept orchestration of organizational resources and processes akin to a conductor harmonizing various elements of an orchestra. Simplifying this notion, improved management skills facilitate a seamless integration of tax considerations into the broader spectrum of business operations. A nuanced understanding of taxation necessitates compliance with statutory requirements and strategic alignment with organizational goals.

Lessen Tax Stress. Mitigating tax stress through heightened tax awareness involves proactive management strategies. By staying informed about tax regulations, implementing efficient record-keeping systems, and seeking professional advice, individuals and businesses can alleviate the burden of tax-related concerns. This proactive approach ensures compliance and empowers entities to optimize their financial positions within legal frameworks, thereby reducing the stress associated with tax obligations. A participant mentioned;

"Awareness in business can help manage stress from co-workers and customers. This way, I can practice resilience and know how to communicate better with others, which is crucial for success." – P11

Individuals and businesses can proactively engage with their tax responsibilities by instilling awareness and demystifying complex tax codes and regulations. This demystification, facilitated through educational initiatives and accessible resources, is a foundational strategy to alleviate uncertainty and lack of clarity. Mitigating tax-related stress is integral to fostering a conducive and sustainable environment for individuals and businesses cognizant of their tax obligations.

Good Reputation. A business that demonstrates tax awareness fulfils its fiscal obligations and fosters transparency and ethical financial practices. This commitment to tax compliance enhances the trust of stakeholders, including customers, investors, and regulatory bodies. A positive reputation in tax matters reflects the organization's integrity, contributing to sustained goodwill and credibility in the business community. The following statements were extracted:

"Taxation awareness helps us to run our business by communicating by the BIR." – P7.

"Awareness and compliance on it can be a good example to the future business owners." – P20.

"*Ang kahibalo sa mga balaod mahitungod sa mga buhis ug sa pag comply niini mamahimong maayong ehemplo sa atong gobyerno nga naa pagyod mga negosyante nga musunod sa balaod.* [Knowledge of tax laws and compliance with them can serve as a good example to our government, with businesses that adhere to these laws setting a positive precedent.]" – P22

Establishing and maintaining a favourable business reputation are intricately linked to cultivating tax awareness within an organizational framework. A tax-aware business is committed to ethical and transparent financial practices, enhancing its overall reputation in the eyes of stakeholders, including

customers, investors, and regulatory bodies. Adherence to legal and regulatory frameworks governing fiscal responsibilities is integral to this alignment.

Successful Business. A business that prioritizes tax awareness positions itself for success by ensuring legal compliance, optimizing financial strategies, and fostering a positive reputation. A tax-aware business minimizes legal risks and enhances its financial resilience and credibility in the marketplace through proactive engagement with tax regulations, strategic financial planning, and transparent practices. Achieving business success is closely intertwined with maintaining a keen awareness of tax implications. One participant mentioned that:

"Being the owner and aware of the taxes and other regulations needed to comply can lead to a successful business." – P17.

One of the key contributors to business success within a tax-aware paradigm is the implementation of effective financial management practices. By integrating tax considerations into broader financial strategies, businesses can identify opportunities for legitimate tax deductions, credits, and incentives. This mitigates tax liabilities and bolsters the organization's financial health, fostering a foundation for sustained success. Strategic tax planning becomes integral to decision-making processes, guiding investments, expansions, and other pivotal initiatives when aligned with organisational goals. Central to the symbiotic relationship between business success and tax awareness is the foundational principle of legal and ethical fiscal conduct.

Business Improvements. Being tax-aware is integral to catalyzing business improvements on multiple fronts. Firstly, it fosters financial prudence by optimizing tax strategies, ensuring legitimate avenues for deductions, and minimizing liabilities. This not only enhances the bottom line but also fortifies the overall financial resilience of the business. Secondly, tax awareness facilitates streamlined operations through efficient record-keeping and compliance, reducing the risk of errors and associated disruptions. Additionally, a tax-aware approach fosters strategic decision-making, aligning financial choices with favourable tax outcomes. An owner said that:

"It helps me in my business to improve my business by getting what the main goal is"
– P5.

Strategic financial management, underpinned by tax awareness, is central to business improvements. By integrating tax considerations into financial decision-making processes, organizations can identify opportunities for optimization, such as legitimate deductions and credits. This strategic alignment minimizes tax liabilities and augments overall financial resilience. Incorporating advanced technological solutions further propels business improvements, streamlining tax-related processes such as record-keeping and reporting.

Understand Customers. A tax-aware approach allows businesses to align their financial strategies with customer expectations, fostering trust. It also enables organizations to offer tailored services, considering the financial implications for customers. Understanding the tax landscape helps in pricing strategies, ensuring transparency in transactions, and responding effectively to customer inquiries related to taxation. A participant expounds that Being tax-aware is pivotal in understanding customers as it reflects a business's commitment to transparency and ethical practices. A participant said that:

"Being self-aware also makes it possible to understand your customers better." – P27.

Tax awareness facilitates the development of customer-centric financial products and services. For instance, businesses attuned to the tax implications of certain financial transactions may design products that offer tax advantages, thereby providing added value to customers. Understanding customers' tax-

related needs and preferences enables businesses to innovate and differentiate their offerings in ways that resonate positively with their target audience. A tax-aware business recognizes the diverse tax implications for different customer segments.

It was registered correctly. Proper registration fulfils legal obligations and demonstrates a commitment to transparent and accountable business practices, contributing to a favourable regulatory image and fostering stakeholder trust. Being tax-aware includes ensuring that a business is properly registered. This involves complying with legal requirements and maintaining accurate records with relevant authorities. The following statements provide evidence for this:

"Having an awareness of taxation enables businesses to become formally registered." – P2

Proper registration is intrinsically linked to establishing legal status, which is imperative for businesses seeking to operate within the bounds of the law. This legal status, often conferred through business registration processes, ensures that relevant authorities recognize the entity as a legitimate and accountable participant in the economic landscape. From a tax awareness perspective, this legal standing becomes a cornerstone for accurate reporting and compliance with tax obligations, fortifying the entity's credibility in the eyes of both regulatory bodies and stakeholders.

In alignment with Adam Smith's Moral Sentiment Theory, the facets of business conduct such as avoiding penalties, ensuring smooth operations, making sound decisions, effective management, skill enhancement, tax stress reduction, maintaining a good reputation, achieving business success, fostering improvements, understanding customers, and proper registration converge upon the ethical dimensions of commerce. Smith's theory, emphasizing the moral and empathetic aspects of human behaviour, resonates with the notion that businesses, when adhering to ethical practices and societal norms, contribute positively to the well-being of stakeholders. Integrating these business facets within Smith's framework underscores the importance of ethical considerations in fostering a harmonious relationship between economic pursuits and societal values, substantiating the ethical underpinnings of successful and responsibly managed enterprises.

Under 4.4, table 2 shows that among the cohort of 30 respondents, a substantial 43% (13 individuals) demonstrated a comprehensive understanding of local tax ordinances sourced from the Bureau of Internal Revenue (BIR). An additional 30% (9 respondents) exhibited familiarity with tax regulations disseminated by their respective Local Government Units (LGUs). Interestingly, two respondents each attributed their tax awareness to formal training, seminars, and information from social media platforms. Furthermore, a diverse array of sources was identified among the remaining respondents, with some indicating accounting offices, main branch offices, other businesses, and television as instrumental channels through which they acquired knowledge about tax ordinances. The study's findings emphasize the diverse sources contributing to tax awareness, including government agencies, education, social media, and private entities like accounting offices. Mass media, particularly television, also plays a significant role. The findings also unveiled in this research study provide an invaluable window into the complex and multifaceted pathways individuals acquire knowledge about local tax regulations. This illuminates the importance of recognizing the diverse spectrum of information sources that collectively contribute to developing tax literacy within a given community or society.

Within the Philippine tax code framework, one of the Bureau of Internal Revenue's (BIR) crucial responsibilities is disseminating tax ordinances to the business community. The BIR employs diverse communication channels, including its official website, which provides a comprehensive repository of tax laws, regulations, and ordinances. Businesses can access this digital platform to stay informed about the latest tax requirements.

Additionally, the BIR utilizes its presence on social media platforms such as Facebook, Twitter, and LinkedIn to impart insights regarding tax ordinances and related fiscal matters. Furthermore, the BIR offers a range of tax information materials, comprising brochures, pamphlets, and instructional guides, which are readily available at BIR offices and can be downloaded from their website. Lastly, the BIR conducts seminars and workshops on various tax-related topics, extending invitations to businesses of all sizes. These informative gatherings allow businesses to enhance their understanding of tax ordinances and related fiscal matters through interactions with BIR experts.

Businesses predominantly depend on the Bureau of Internal Revenue (BIR) for financial governance, aligning with Adam Smith's Moral Sentiment Theory. In adherence to Smith's perspective, societal order is sustained through individuals pursuing self-interest in a manner harmonized with moral sentiments. Similarly, businesses, in pursuing financial goals, rely on the B.I.R. to uphold fiscal order and ethical conduct. The BIR serves as the institutional embodiment of collective moral sentiments, overseeing taxation processes that contribute to the common good and societal well-being. By adhering to tax regulations, businesses actively participate in the ethical framework proposed by Smith, fostering a harmonious balance between individual economic interests and the broader moral sentiments that underpin a functional society.

The heightened awareness among business owners regarding business taxes and limited awareness of amusement taxes have practical implications across various facets of business operations. This tax awareness proves instrumental in steering businesses towards operational efficacy by mitigating potential penalties, fostering smooth operations, facilitating informed decision-making, ensuring proper management, and improving managerial skills. The consequential effect is reduced tax-related stress, enhanced business reputation, overall business success, and tangible improvements. Notably, tax awareness aids in understanding customers better, aligning with the principles of ethical and legal business practices. In this context, the Bureau of Internal Revenue is pivotal in cultivating tax awareness among business owners. By disseminating relevant information, providing guidance, and enforcing compliance, the Bureau becomes a key player in fostering a tax-aware business landscape, contributing significantly to the micro-business environment's overall economic and fiscal health.

6. Conclusions

Most micro-enterprises were "aware" of the local taxes in Pagadian City; however, they are "extremely aware" of business taxes and "slightly aware" of amusement taxes. Tax awareness helped this business owner to have a good business operation, avoid penalties, make smooth business operations, make good decision making, proper management, improve skills, lessen tax stress, have a good reputation, make successful business, business improvements, understand customers, and be properly registered. Conversely, the primary source through which micro-business owners acquire knowledge and awareness of the existing local tax ordinances is the Bureau of Internal Revenue (BIR).

In Pagadian City, most micro-business owners understand local taxes. They know about Business Tax, which applies to all businesses, regardless of size. However, they must learn about amusement taxes due to the complex Philippine tax system. This complexity includes income tax, value-added tax (VAT), and excise taxes. Amusement taxes are just one part of this complexity, and taxpayers may need to know all the applicable taxes (Blair et al., 1987)

Understanding local taxes is vital for micro-business owners in Pagadian City to avoid penalties, have a smooth business operation, make good decisions, improve management skills, lessen tax stress, have a good reputation, have successful businesses, make business improvements, understand customers, and be properly registered. Paying taxes is a legal and moral responsibility, which aligns with Adam Smith's theory. When people grasp the impact of taxes on their community and public services, they are more likely to comply willingly.

Micro-enterprise owners rely on the Bureau of Internal Revenue (BIR) for guidance. The BIR's widespread physical presence across the country makes it easy for micro-enterprises to access tax-

related information and assistance (Paco et al., 2022). Additionally, the BIR's online platforms allow these enterprises to access resources without visiting physical offices.

Overall, understanding local taxes is vital for micro-enterprise owners in Pagadian City to avoid penalties, and the BIR plays a crucial role in providing guidance and resources for tax compliance.

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