

Effects of digital literacy on the digitalization of business name registration for micro-business owners in Magsaysay, Occidental Mindoro

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Abstract

The purpose of this study is to determine the effect of digital literacy on the digitalization of business name registration for micro business owners in Magsaysay, Occidental Mindoro using descriptive quantitative design. This study used stratified random sampling to determine the sample size of 182 micro-business owners from 12 different barangays in Magsaysay who were chosen as respondents to this study. Modified adapted questionnaires with three different parts were used as the main instrument of this study. The researcher personally distributed and retrieved the survey questionnaires. The frequency, weighted mean, and percentage were utilized to assess the respondent's profile, their level of digital literacy, and the digitalization of business name registration. Pearson correlations were also used to determine the effect of digital literacy in the digitalization of business name registration. The results showed the following: (a) the majority of micro business owners in Magsaysay, Occidental Mindoro are in the age group of 38 and above, female, high school graduates, retail store owners, and located in Barangays Poblacion, Laste, Calawag, and Nicolas; (b) the respondents possessed a high level of digital literacy; (c) the respondents have a moderate extent in the digitalization of business name registration; and (d) there is a highly significant relationship between the level of digital literacy and the digitalization of business name registration with a correlational coefficient of .560 and p-value of 0.000. Considering these empirical results, future researchers may conduct an in-depth study on what hindered the micro-business owners from fully utilizing the business name registration system.

Keywords: micro-business, digitalization, digital literacy, business name registration, digital devices

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1. Introduction

In 2023, the Department of Trade and Industry reported a total of 984,332 business name registrations. According to the data provided by the Business Name Registration Division (BNRD), 88% of the total constitutes new business registration, while the remaining 12% is for renewals (Anti-Red Tape Authority (ARTA), 2024). The Business Name Registration System (BNRS) defines a business name as any name that is used or signed in connection with their business that differs from their true name such as any names printed or written on receipts, business documents, transactions, or business signage. The Republic Act 3883 otherwise known as the “Business Name Law” was issued on November 14, 1931. It seeks to regulate the use of names other than true names in business transactions and is illegal to use such names without registering them first with the Department of Trade and Industry (Department Administrative Order No.18-07 Series of 2018).

Business name registration is the first step in registering a business in the Philippines. Its main purpose is to provide a legal identity for one’s business. Škorić (2020), notes that a business entity must complete registration as the final legal requirement before it can obtain legal personality, the ability to hold rights and obligations independently in transactions under its name and for its account, and the subject of rights. 100% online business name registration took effect on August 1, 2023. Transactions including new applications, renewal applications, and requests for certification can be done in the BNR system. Potential businessmen and business owners will no longer need to visit the DTI offices as well as the NC offices when registering their businesses. Online payment gateways are also available in the system such as GCash, Maya, and Landbank. However, foreign nationals and stateless persons are excluded from this implementation as they need further evaluation before registering their business names. This shift towards digital transformation was under the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (Section 7 of the Republic Act 11032). According to the data from the Business Permits and Licensing Office, the municipality of Magsaysay reported a total of 342 business establishments. Based on the Philippine Statistics Authority, entities that employ less than 10 employees are considered micro businesses. In Magsaysay, this includes sari-sari stores, variety stores, small eateries, and meat, fish, and vegetable dealers and made up 97.66% of the entire list of businesses.

Digitalization is the process of migration from a traditional into a technological one. It is widely acknowledged that digital activities have been transforming the business environment all over the world (Reis et al., 2020). Nikou et al., (2022) noted that digitalization is a significant barrier for businesses that are accustomed to carrying out their regular tasks in a traditional manner. Considering the fast-paced technologies, the question is, do micro-business owners keep abreast? As digitalization becomes prominent in business registrations, specifically, in the online business name application, micro-business owners must cultivate their expertise in utilizing the online tools and resources that can benefit their businesses. Micro business owners in Magsaysay, despite their limited revenues, often hire bookkeepers to process business permits so that their profits are further reduced. Even some of them have begun their business name registration process online but couldn’t proceed with the whole application process because of some technicalities they couldn’t recognize. Rintaningrum & Pangaribuan (2021), defines digital literacy as the capacity to comprehend, evaluate, and apply knowledge obtained from a variety of sources that a person can access via computer devices. According to Nyoman et al., (2022), fostering digital literacy may greatly contribute to the development and success of business owners. This study aimed to determine the effects of digital literacy on the digitalization of business name registration for micro business owners in Magsaysay, Occidental Mindoro.

Research Objectives - This study was conducted to (1) Determine the profile of the respondents in terms of Age, Sex, Educational Attainment, Kinds of Business, and Cluster. (2) Assess the level of digital literacy of micro

business owners. (3) Determine the level of the micro business owners in the digitalization of business name registration. (4) Determine the significant relationship between the level of digital literacy of micro business owners and the digitalization of business name registration.

Significance of the Study - The researcher believes that the study would benefit the following: First, the Micro Business Owners. This study will help improve their extent of digital literacy to make necessary improvements as they apply for their business name registration and business permits as a whole. Second, the Negosyo Center's business counselors. This study will help them improve their services by gaining a better grasp of the effects of online registration. Third, this research is part of the Research Methodology subject requirement for the Masters in Business Administration Program at the Divine Word College of San Jose Graduate School. The researcher will have a thorough understanding of the topic after finishing this study. It will also assist the researcher in learning how to write research papers for future reference. Fourth, the policymaker can use the result of this study as a guideline in developing statutes that will enhance the overall business environment and economy of the Republic of the Philippines. Lastly, the Future Researcher. Although the study is not claimed to be completely thorough, it does provide a new channel for future research.

Scope and Delimitation of the Study - This was conducted to determine the profile of the respondents in terms of sex, age, educational attainment, kind of business and cluster; evaluate the level of digital literacy of micro business owners in Magsaysay, Occidental Mindoro; determine the micro business owners' level of digitalization on business name registration; and analyze the effect of the digital literacy of the micro business on the digitalization of business name registration. This was conducted at Magsaysay, Occidental Mindoro in 2024. As a result, micro-businesses outside Magsaysay are excluded from this analysis. This study used the Philippine Statistics Authority's definition of micro businesses which depends on less than 10 employees rather than the Department of Trade and Industry's classification that is based on the entity's asset size because the data given by the Business Permits and Licensing Office doesn't include the asset size.

2. Methodology

Research Design - This research used quantitative analysis to determine the effect of the digital literacy of micro-business owners in the digitalization of business name registration. It also used descriptive design because this research aims to describe the level of digital literacy of micro business owners on the digitalization of Business Name Registration.

Respondents of the Study - This study used stratified random sampling because the Municipality of Magsaysay is characterized by a tough road where barangays are scattered. The respondents were grouped based on the location of their business to give all the micro business owners an equal chance to be chosen as the respondents. There are 342 micro-business owners in Magsaysay, Occidental Mindoro. The researcher used the Raosoft sample size calculator with a 95% confidence level and a 5% margin of error; thus, the overall sample size of the researcher was 182 respondents.

Research Instrument - The data were gathered using a modified adapted questionnaire. The questionnaire was composed of three parts, which were the demographic profile of the respondents, including age, sex, educational attainment, kind of business, and, cluster number; digital literacy questionnaires; and questions about the digitalization of business name registration. The researcher used a modified adapted questionnaire for digital literacy from the previous studies of Son et al., (2017). For the last part, the modified adapted questionnaires from the studies of Adriano (2023) were also used. In answering the second and third parts of the questionnaire, the respondents were asked to rate each statement by checking the box corresponding to their agreement level. The researcher sought the help of the expert in Divine Word College of San Jose in the field of research and the adviser to check the validity and reliability of the instrument in the modified adapted questionnaires. Recommendations and suggestions from the experts and the researcher's adviser were incorporated for the refinement of the questionnaires.

Data Gathering Procedure - The letter to the school heads requesting their permission to conduct an interview which underwent thematic analysis and based on the results of the interview, six reading comprehension difficulties were extracted as the main themes from the respondents' narratives. From that, the questionnaires were constructed and distributed to the respondents. The researcher conducted an orientation of the respondents toward the rationale of the study, after which, questionnaires were administered personally. The distribution and retrieval of the instrument were administered personally for almost 1-2 weeks to give them enough time to read and answer the survey. This study also assures the confidentiality of their responses.

Statistical Treatment of the Data - The frequency, weighted mean, and percentage were applied to describe the respondent's profile, their level of digital literacy, and their level of digitalization of business name registration. The respondents' profile was enumerated using the frequency and percent distribution. The frequency-weighted means were computed to describe the respondent's profile, their level of digital literacy, and the digitalization of business name registration. This study also used the Pearson Correlation to determine the relationship between the level of digital literacy and the digitalization of business name registration. To interpret the responses, a 5-point Likert Scale of level of agreement was utilized.

Ethical Considerations - The respondents' voluntary involvement in this study was respected by the researcher. She also made sure that every query from the respondents was answered and clarified. She gave them an explanation of the study's purpose, their right to refuse to be involved, the study's confidentiality restrictions, and their access to a copy of the findings. A consent form was provided to the microbusiness owners to sign as evidence of their intent to participate in the research. Moreover, the researcher followed APA 7th Edition in acknowledging the author/s used in this study.

3. Results and Discussions

Table 1 shows the profile of the respondents. In terms of age, the majority of the respondents, 52%, are 38 years or older; 16% of the respondents are in the age group of 28-32 years old; 14% of the respondents are 22-27 years old; 12% of the respondents belong to the age group of 33-37 years old; and 6% of the respondents are 18-22 years old. It also shows that the majority of the respondents are female, comprising 68%, while the males are 32%. According to Nchu et al. (2017), high school learners believed that they could establish a business by utilizing the knowledge and skills that they learned from entrepreneurial subjects. Jegede & Nieuwenhuizen (2020) suggest that the willingness to accept risk is the most important driver of academic spin-off. It became evident that risk-taking affects the willingness of high school graduates to start a business. The table shows that the majority of the respondents when it comes to educational attainment are high school graduates, which is 54%, while 33% of the respondents are college graduates; 12% of the respondents have only reached elementary level; college graduate respondents only have a total of 1%; and there were no respondents who are doctorate holders. It can also be seen that most of the respondents' retail stores, with a total of 52%; 22% are in the food and beverage business; 13% of the respondents are home-based business owners; 9% have other businesses such as space rentals, agriculture, etc.; and 4% of the respondents offer freelance services. It also shows that the majority of the respondents, 90%, belong to Cluster 1, which represents barangays such as Poblacion, Laste, Calawag, and Nicolas, and respondents that belong to Clusters 2 and 3 are both 5%.

Table 1

Profile of the Respondents (n=182)

Profile	Frequency	Percentage
Age		
18-22	11	6%
22-27	25	14%
28-32	29	15%
33-37	22	12%
38 and above	95	52%
Sex		
Male	59	32%
Female	123	68%

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Educational Attainment		
Elementary Level	22	12%
High School Graduate	98	54%
College Graduate	61	33%
Master's Degree Holder	1	1%
Doctorate Degree Holder	0	0%
Kind of Business		
Freelance Service	7	4%
Home-based Business	23	13%
Food and Beverages Business	41	22%
Retail Stores	94	52%
Others	17	9%
Cluster		
1. Poblacion/Laste/Calawag/Nicolas	164	90%
2. Paclolo/Lourdes/Gapasan/Purnaga	9	5%
3. Sta. Teresa/Caguray/Alibog/Siblat	9	5%

Table 2 shows the level of digital literacy of micro-business owners with a total composite mean of 3.70, interpreted as a “high extent.” This indicates that micro-business owners in Magsaysay, Occidental Mindoro, have a high level of digital literacy. This is supported by the study of Hamid et al. (2020) that being digitally literate is a mandatory competence nowadays. Drydakis (2022) mentioned that the lack of digital literacy is a challenge in business settings since entrepreneurs need to boost their digital competencies. Digital competencies are extremely vital in this fast-paced technological era. Digital competence is an integral part of many aspects of life and involves more than just technical abilities and knowledge; it also involves having the confidence to make use of it (Gasca, 2018).

Based on the data in Table 2, it is also inferred that respondents have a high extent of awareness of the different digital tools; like the use of digital devices; understanding the basic functions of cellphones, computers, and other digital devices; using digital devices for their business; willingness to learn more about digital devices; feeling competent in using digital resources; knowing how to download and use applications on digital devices; knowing how to avoid suspicious links; and knowing how to use different software, such as MS Word, MS Excel, MS Publisher, etc., with a weighted mean of 4.08; 4.07; 4.05; 4.04; 4.00; 3.79; 3.70; 3.64; and 3.58 respectively.

Table 2

Mean Level of Digital Literacy of the Micro Business Owners

Indicators	Weighted Mean	Verbal Description
1. I am aware of the different digital tools.	4.08	High Extent
2. I like using digital devices.	4.07	High Extent
3. I feel threatened when someone talks about digital technologies.	2.02	Low Extent
4. I am willing to learn more about digital devices.	4.00	High Extent
5. I understand the basic functions of cell phones, computers, and other digital devices.	4.05	High Extent
6. I know how to download and use applications on digital devices.	3.70	High Extent
7. I feel competent in using digital resources.	3.79	High Extent
8. I know how to use different software, such as MS Word, MS Excel, MS Publisher, etc.	3.58	High Extent
9. I use digital devices for my business.	4.04	High Extent
10. I know how to avoid suspicious links.	3.64	High Extent
Composite Mean	3.70	High Extent

Legend: Scale: 4.20-5.00-Very High Extent-3.40-4.19-High Extent;2.60-3.39-Moderate Extent; 1.80-2.59-Low Extent;1.00-1.79-Very Low Extent

Table 3 shows the mean level of the micro-business owners in the digitalization of business name registration with a composite mean of 3.16, with a verbal description of moderate extent. This indicates that they have a respectable level of skills and knowledge in the digitalization of business name registration, but not to a high extent. They understand the basic functionalities and can navigate the Business Name Registration System, but fall short of being sufficiently specialized for maximum utilization. Respondents also responded that they have a moderate extent of agreement that it is better to use the digital method of business name registration than the traditional

method (3.20); the digitalization of business name registration has made the process more convenient; the business name online registration process is safe and efficient (3.19); the Business Name Registration System is easy to navigate (3.14); they know the process of registering their business name online (2.87); they are aware of the necessary information needed in completing the online registration process of business name (2.87); they fully understand the safety measures adopted in the digital business name registration process (2.87); and, they are aware of the policies regarding business name registration (2.59). This is supported by the study of Nwachukwu & Hieu (2021) that to achieve successful digital transformation, business owners must be adaptive to technology and innovation. The usefulness and ease of use of the system are important factors in the utilization of digital technologies (Cavalcanti et al., 2022). The study also revealed that respondents are aware to a high extent that the business name should be registered and understand the function of the Department of Trade and Industry in regulating the Business Name Registration System, with a weighted mean of 3.98 and 3.71, respectively.

Table 3*Mean Level of the Micro Business Owners in the Digitalization of Business Name Registration*

Indicators	Weighted Mean	Verbal Description
1. I am aware that the business name should be registered.	3.98	High Extent
2. I know the process of registering my business name online.	2.87	Moderate Extent
3. The Business Name Registration System is easy to navigate.	3.14	Moderate Extent
4. I am aware of the policies regarding business name registration.	2.59	Moderate Extent
5. The business name online registration process is safe and efficient.	3.19	Moderate Extent
6. The digitalization of business name registration has made the process more convenient.	3.20	Moderate Extent
7. It is better to use the digital method of business name registration than the traditional method.	3.20	Moderate Extent
8. I understand the function of the Department of Trade and Industry in regulating the Business Name Registration System.	3.71	High Extent
9. I am aware of the necessary information needed in completing the online registration process of business name.	2.87	Moderate Extent
10. I fully understand the safety measures adopted in the digital business name registration process.	2.87	Moderate Extent
Composite Mean	3.16	Moderate Extent

Legend: Scale: 4.20-5.00-Very High Extent-3.40-4.19-High Extent; 2.60-3.39-Moderate Extent; 1.80-2.59-Low Extent; 1.00-1.79-Very Low Extent

Table 4*Correlation Coefficients and p-values for H_0*

Variables	Correlation Coefficient	Effect Size (R^2)	Critical Value	t-value	P-value	Interpretation
Digital Literacy → Digitalization of Business Name Registration	0.560	0.314	1.976	9.071	0.000	Highly Significant

Legend: p-value < 0.05 Significant

The correlation analysis in Table 4 shows that there is a highly significant relationship between the digital literacy of the micro business owners and the digitalization of business name registration with a correlation coefficient of 0.560 and p-value of 0.000. This result is consistent with the studies of Slavkovic et al. (2023) that the improvement of digital capabilities has a positive impact on digital transformation. However, Kabakus et al. (2023) argue that digital literacy does not directly affect the intention to use digital devices. Islami et al. (2021) used a qualitative descriptive research method to answer the problems with the digital literation of Micro, Small, and Medium Enterprises. The results showed that although 73% of the MSMEs are digitally literate, 67% of the

population did not have digital devices such as computers. Furthermore, the preeminent media channels that the respondents are accessing are the social media platforms such as Facebook, Instagram, and WhatsApp. Most of the MSMEs don't have any idea of the other opportunities of the digital era especially when it comes to their business opportunities.

4. Conclusions

Based on the findings of the study the following conclusions are drawn: Most of the respondents are in the age group of 38 and above, female, high school graduates, owners of retail stores, and belong to Cluster 1. The micro business owners in Magsaysay, Occidental Mindoro have a high level of digital literacy. The micro-business owners in Magsaysay, Occidental Mindoro have a moderate level of extent in the digitalization of business name registration. Digital literacy has a positive and highly significant effect on the digitalization of business name registration.

4.1 Recommendations

Based on the results, findings, and conclusions of the study, the following are recommended by the researcher: The Department of Trade and Industry may consider developing training or seminars based on the demographic characteristics of the majority of the respondents. Micro business owners should invest in advanced digital skills training to further increase their level of digital literacy. This includes specialized training in digital marketing strategies and e-commerce, data analytics, project management, and other business-related advanced training. The Business Name Registration Division may consider simplifying the online registration process to encourage business owners to fully utilize the Business Name Registration System. They can also provide user-friendly platforms or mobile applications to make the process simple and accessible to those with varied degrees of digital literacy. The Negosyo Center Business Counselors may conduct an awareness campaign, with their respective municipalities, emphasizing the need for digital literacy in expediting business processes, particularly business name registration. They may highlight the practical advantages of registering their business names online, such as cost-efficiency, time savings, and better record-keeping. The future researcher may consider having an in-depth study on the factors that hindered micro business owners from fully utilizing the Business Name Registration System.

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