Regulatory and Economic Environments of Franchise Businesses in Quezon Province: Basis for A Sustainability Guide

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This study examined the influence of regulatory and economic environments on franchise businesses in Quezon Province and developed a sustainability guide to address identified challenges. Using a descriptive-correlational research design, data were collected from franchise business owners, managers, and supervisors with at least two years of operational experience. Results revealed that most franchise businesses are relatively young, with less than six years of operation, and face moderate regulatory challenges, particularly in business registration, licensing, and taxation due to bureaucratic inefficiencies and compliance costs. Economic factors such as inflation, fluctuating demand, and supply chain disruptions significantly affect financial planning, pricing strategies, and operational stability. Despite these challenges, franchise businesses demonstrate resilience; however, long-term sustainability depends on consistent institutional and financial support. Statistical analysis indicated that regulatory and economic environments significantly influence business sustainability, regardless of firm tenure. The study proposes a Sustainability Guide emphasizing streamlined regulatory processes, enhanced public-private collaboration, financial support mechanisms, and capacity-building initiatives. These findings contribute to the understanding of franchise sustainability in emerging economies and provide practical implications for policymakers and business stakeholders.

Keywords: Franchise business, regulatory environment, economic environment, sustainability, Quezon Province

Introduction

Franchising has become a widely adopted business model for expansion, enabling entrepreneurs to operate under established brands while benefiting from proven systems and support structures. In the Philippines, franchising plays a significant role in economic development by generating employment opportunities and stimulating local enterprise growth. However, franchise businesses operate within complex regulatory and economic environments that significantly influence their sustainability and performance.

Regulatory factors such as business registration, licensing, taxation, and labor compliance shape the operational landscape of franchise enterprises. At the same time, economic conditions—including inflation, consumer demand, and supply chain dynamics—affect profitability and long-term viability. In Quezon Province, franchise businesses face increasing challenges arising from bureaucratic inefficiencies, rising compliance costs, and economic volatility. These challenges highlight the need for a comprehensive understanding of how external environments influence franchise sustainability.

This study aims to assess the regulatory and economic environments of franchise businesses in Quezon Province and determine their impact on business sustainability. It further seeks to develop a sustainability guide that can assist franchise operators in navigating these challenges and improving long-term performance.

Method

This study employed a descriptive-correlational research design to analyze the relationship between regulatory and economic environments and franchise business sustainability. The respondents included franchise business owners, managers, and supervisors in Quezon Province who had at least two years of operational experience. A purposive sampling technique was used to ensure that participants possessed sufficient knowledge and involvement in franchise operations.

Data were collected using a structured questionnaire designed to measure the perceived impact of regulatory and economic factors on business operations. The instrument underwent validation and reliability testing prior to administration. Data gathering was conducted through formal coordination with respondents and distribution of survey questionnaires.

Statistical tools used in the analysis included frequency and percentage for profiling respondents, weighted mean to assess the extent of environmental impacts, analysis of variance (ANOVA) to determine differences across groups, and Pearson correlation to examine relationships between variables.

Results

The findings revealed that most franchise businesses in Quezon Province are relatively young, with less than six years of operation. This indicates a growing but still developing franchise sector that requires operational and strategic support, particularly in human resource management and business development.

Table 1
Profile of Franchise Businesses

Profile Variable	Category
Length of Operation	Mostly below 6 years
Type of Business	Various franchise sectors
Respondent Role	Owners, Managers, Supervisors

In terms of regulatory environment, respondents reported moderate challenges, particularly in business registration, licensing, and tax administration. Bureaucratic inefficiencies and high compliance costs were identified as key barriers affecting ease of doing business. These findings suggest that while regulatory frameworks are necessary for governance, they may also impose constraints on business growth when processes are complex and costly.

Table 2
Extent of Regulatory Environment Impact

Regulatory Area	Level of Impact
Business Registration	Moderate
Licensing	Moderate
Labor Regulation	Moderate
Property Registration	Moderate
Credit Regulation	Moderate
Corporate Governance	Moderate
Tax Administration	Moderate
Trade Facilitation	Moderate
Contract Enforcement	Moderate
Dispute Resolution	Moderate

Regarding the economic environment, factors such as inflation, economic downturns, and fluctuating consumer demand were found to significantly influence franchise operations. Supply chain disruptions were also highlighted as a major concern, affecting inventory management and operational efficiency. These economic pressures impact pricing strategies, profitability, and long-term planning.

Table 3
Extent of Economic Environment Impact

Economic Factor	Level of Impact
Fiscal Policy	Moderate
Economic Output	Moderate
Unemployment Rate	Moderate
Inflation	High
Supply	High
Demand	Moderate
Consumer Spending	Moderate

The study further revealed that there were no significant differences in the perceived impact of regulatory and economic environments when respondents were grouped according to years of operation, indicating that these challenges are experienced consistently across businesses. Moreover, a significant relationship was found between regulatory and economic environments, suggesting that improvements in regulatory efficiency can positively influence economic conditions for franchise businesses.

Table 4
Relationship Between Variables

Variables Compared	Result
Regulatory & Economic Environment	Significant Relationship

The findings of this study highlight the critical influence of regulatory and economic environments on the sustainability of franchise businesses. The moderate challenges observed in regulatory processes—particularly in business registration, licensing, and taxation—are consistent with prior research indicating that complex and bureaucratic regulatory systems can constrain entrepreneurial activity and slow business expansion (World Bank, 2022). Studies have shown that cumbersome administrative procedures increase compliance costs and create barriers to entry, particularly for small and medium enterprises such as franchise businesses (Ramadani et al., 2018). These inefficiencies reduce operational flexibility and limit firms' ability to respond quickly to market opportunities, ultimately affecting competitiveness and long-term sustainability.

From an economic perspective, the study confirms that macroeconomic factors—especially inflation, supply chain disruptions, and fluctuating consumer demand—significantly affect franchise operations. This aligns with economic theories suggesting that business performance is highly sensitive to external economic conditions, particularly in consumer-driven industries (Mankiw, 2017). Inflation, for instance, increases operational costs and forces firms to adjust pricing strategies, which may reduce purchasing power and demand (World Bank, 2022). Additionally, supply chain disruptions have been widely documented as a major constraint on business continuity, particularly in developing economies where logistics infrastructure may be less stable (Duval & Utoktham, 2019). These findings reinforce the notion that economic volatility directly impacts financial planning, inventory management, and overall business resilience.

The absence of significant differences in perceived environmental impacts across business tenure suggests that both new and established franchise businesses are equally vulnerable to external pressures. This supports the argument that regulatory and economic challenges are systemic rather than firm-specific, affecting the broader business ecosystem (Beck et al., 2019). Furthermore, the significant relationship between regulatory and economic environments underscores their interconnected nature. Efficient regulatory frameworks are known to stimulate economic growth by reducing uncertainty, enhancing investor confidence, and facilitating market entry (Djankov et al., 2015). Conversely, weak regulatory systems can exacerbate economic instability, creating a cycle that hinders business development.

Despite these constraints, the resilience demonstrated by franchise businesses reflects their inherent adaptability and the strength of the franchising model. Franchising provides standardized systems, brand support, and operational guidance, which can help businesses withstand external shocks (Madanoglu et al., 2018). However, resilience alone is insufficient to ensure long-term sustainability. Literature on business sustainability emphasizes the importance of structured support systems, including access to finance, capacity-building programs, and institutional support (Ali & Johl, 2022). Without these mechanisms, businesses may struggle to transition from survival to sustained growth.

In response to these challenges, the proposed Sustainability Guide offers a strategic framework grounded in both theory and practice. By promoting streamlined regulatory processes, enhanced financial support, and stronger public-private collaboration, the framework aligns with best practices in fostering a conducive business environment (OECD, 2018). Moreover, integrating training and mentoring initiatives addresses the need for continuous capability development among franchise operators. Such interventions are essential in enabling businesses to navigate complex regulatory landscapes and adapt to dynamic economic conditions.

Overall, the study contributes to the growing body of literature by demonstrating that the sustainability of franchise businesses is shaped by the dynamic interplay between regulatory and economic environments. Strengthening these external conditions, alongside implementing structured internal strategies, is essential for fostering a resilient and sustainable franchise sector in Quezon Province and similar emerging economies.

Conclusion and Recommendations

This study concludes that both regulatory and economic environments significantly influence the sustainability of franchise businesses in Quezon Province. While franchise enterprises demonstrate resilience, they continue to face moderate challenges related to bureaucratic processes, compliance costs, inflation, and supply chain disruptions. These challenges are experienced consistently across businesses, regardless of tenure, highlighting the need for systemic improvements in both regulatory frameworks and economic support systems.

It is recommended that policymakers streamline regulatory processes related to business registration, licensing, and taxation to reduce compliance burdens and improve ease of doing business. Strengthening public-private partnerships and providing targeted financial support can further enhance the sustainability of franchise businesses. Additionally, capacity-building programs, including training and mentoring, should be implemented to equip franchise operators with the necessary skills to navigate complex business environments. Future research may explore the applicability of the proposed sustainability guide across different regions and

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