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ASSESSING THE IMPACT OF MICROFINANCE ON THE FINANCIAL WELL-BEING OF BORROWERS IN RURAL COMMUNITIES OF STA. ANA, PAMPANGA

Maria L. Santos[1], John P. Reyes[2] and Angela M. Dela Cruz[3]
[1]School of Business and Accountancy, Holy Cross College, Sta. Lucia, Sta. Ana, Pampanga, mlsantos@gmail.com
[2]School of Business and Accountancy, Holy Cross College, Sta. Lucia, Sta. Ana, Pampanga, jpreyes@gmail.com
[3]School of Business and Accountancy, Holy Cross College, Sta. Lucia, Sta. Ana, Pampanga, amdelacruz@gmail.com

Abstract

This research investigated the impact of microfinance on the financial well-being of borrowers residing in the rural communities of Sta. Ana, Pampanga. Particular attention was given to examining how borrowers perceive microfinance policies and practices, and how these perceptions shape their financial outcomes. A quantitative research approach was adopted, utilizing a descriptive–correlational design to assess the relationship between microfinance participation and borrowers' financial well-being among 248 respondents. Participants were selected through stratified random sampling combined with convenience sampling techniques. To analyze the data, statistical tools such as frequency and percentage distribution, Likert scale evaluation, and regression analysis were employed, with a data matrix used to systematically present the findings. Results revealed that demographic characteristics—such as age, source of livelihood, monthly income, and borrowing frequency—along with borrowers' perceptions of microfinance policies and practices, significantly influence their utilization of microfinance services. The findings led to the rejection of the null hypothesis, confirming substantial associations between the studied variables. The study recommends strengthening microfinance policies, enhancing operational practices, and emphasizing the role of borrowers' perceptions in shaping effective microfinance interventions.

Keywords: Financial well-being, Borrowing, Microfinance, Borrowers' Perception

Introduction

1.1 Background of the Study

Poverty remains one of the most persistent socio-economic challenges across the globe. As Kumar et al. (2023) noted, in well-governed nations poverty is often seen as an issue of accountability, while in poorly governed states it becomes normalized. This reflects the notion that both passivity and limited critical thinking contribute to the cycle of poverty. Against this backdrop, microfinance has gained traction internationally as a strategy to empower marginalized populations who are excluded from traditional banking systems.

Microfinance refers to the provision of small loans and related financial services to low-income individuals and households with limited access to conventional credit facilities. By offering capital for small-scale enterprises, it aims to support poverty reduction and economic empowerment (Kumar et al., 2023). However, research outcomes have been mixed. Chikwira (2022) observed that while microfinance can empower borrowers, overreliance on credit sometimes leads to financial strain and heightened vulnerability. When loans are not utilized productively, borrowers may experience further economic hardship rather than relief.

In the Philippine context, Santos et al. (2014) applied a game-theoretic framework and found that although microfinance institutions (MFIs) contribute to poverty alleviation, their impact is limited due to conflicting interests among stakeholders. They argue that a more coordinated approach involving both government and private actors is required. Similarly, Dio (2023) highlighted that some MFIs are "mission drifting," shifting from social development objectives toward profit orientation, thereby deviating from their original mandate of supporting the poor.

Given the rising prominence of microfinance both globally and locally, this study investigates its impact on the financial well-being of borrowers in the rural communities of Sta. Ana, Pampanga. Specifically, it explores how MFI policies and practices influence borrowers' livelihoods and financial security, with attention to their awareness of indebtedness. Insights from this research are expected to inform policy development and stimulate further academic discourse on the role of microfinance in poverty alleviation.

1.2 Review of Related Literature

Impacts of Microfinance on Financial Stability

Microfinance has been widely recognized for its potential to stimulate economic activity in rural areas. Kerry (2024) emphasized its positive contribution to household income and living standards by supporting income-generating ventures. However, he cautioned that microfinance alone cannot address broader systemic challenges such as poor infrastructure, inadequate education, and weak healthcare systems, which are critical for sustainable poverty reduction.

Similarly, Miled et al. (2022) underscored that MFIs play a significant role in narrowing income inequality in developing nations, as they primarily serve low-income groups. Microfinance offers not only loans but also savings, insurance, and payment services, making it a comprehensive support system for self-employed and low-income individuals (Singh, 2023).

Despite these benefits, some scholars question its transformational capacity. Meki and Quinn (2024) argued that while microfinance can provide seed capital and business opportunities for certain individuals, it does not universally improve household income. In some cases, borrowers fall into debt traps, revealing that microfinance must be integrated with broader poverty alleviation strategies.

In the Philippine context, Santos et al. (2014) reiterated that microfinance institutions alone are insufficient to reduce poverty significantly due to conflicts of interest and lack of collaboration among stakeholders. Eseo (2023), in a study conducted in San Pablo City, found that misuse of microloans for instance, borrowing to pay off other debts often led to financial losses rather than improved livelihoods. This indicates behavioral and structural issues that hinder the effectiveness of MFIs.

On the other hand, borrower satisfaction with microfinance services remains high. Gabriel et al. (2021) reported positive ratings for loan application processes and product features, suggesting that MFIs provide accessible and responsive services. Fernandez (2018) also linked MFI performance to economic growth trends, noting that recessions limit the sector's expansion, while periods of economic growth positively influence its development.

Parihar et al. (2024) highlighted that although microfinance contributes to poverty reduction and financial inclusion, high interest rates and regulatory constraints still affect borrowers' decisions. Nonetheless, microloans have supported small business creation, increased household income, and generated employment opportunities. They concluded that supportive policies and innovations, coupled with holistic socio-economic strategies, are necessary for maximizing the benefits of microfinance.

Policies and Practices to Microfinance (in South East Asia)

Kumari (2020) states that there were 2 categories related to microfinance on alleviating the financial well-being of the poor. The first one was a type in which it addresses the issues of the low-income earners when it comes to finding financial resources. This second category consists of ways and variables of shortcomings of the development finance strategies and poverty lending approach.

People in some countries had adopted more microfinance for the reason that they were worried that financial development benefits like commercial banks and other banks that existed nowadays were only for the rich. Since financial markets are fraught and known for adverse selection and hazardous to think, borrowers need collateral. A debtor can't borrow a sum of money when it can't offer collateral in exchange for the money a borrower could get. The poor, who can't give collateral, find it difficult to get loans even if financial markets and institutions were developed which could lead to worse inequality (Miled 2024).

In the study of Young (2020), microfinance had a purported primary goal of alleviating poverty hence, research suggests that rules and regulations under microfinance are difficult to handle for borrowers, and it suggests that these contracts should have little improvements. Strict rules and seemingly harsh consequences of default can depreciate the benefits that could also lead to fluctuations of financial inclusion. This regulation includes that if a borrower misses his/her repayment, he/she could be forbidden to borrow again. Additionally, many microloans rely on social pressure rather than the collateral to substantiate microloans, as a result of this, other people may not be qualified for a loan if other members of that community defaults. In this, incentives schemes reduce the possibility that debtors will acknowledge the true potential of microfinance proceeds. Instead of investing the money from microfinance borrowing to profitable business, long-term projects, borrowers might be more preoccupied with repaying the debt.

According to Adbi and Lee (2023), the microfinance "group lending" approach has pioneered widespread success when it comes to promoting high rates of repayments, thus the financial viability of financial access among low-income earners and the poorest of the poor. In this, lending also relies on social connections between the debtors and creditors to reinforce repayments. Further analysis reveals that phenomenon with the connection of borrower-to-borrower spread of defaults affects the liability connections with the lenders. The analysis is simple yet profound: when individuals know their friends and colleagues are counting on them, they're more likely to feel pressure and honored to repay their obligations. Delving deeper, they also found that informal social ties or this relationship between individuals that are not legally bound- played a crucial role in the spread of non-repayment. Within these woven social fabric communities, wherein trust and shared impact are overriding, the impact of this shared culture became particularly striking and affects financial obligations.

In the country of China, the financial sector is largely bank-based and dominated by large states and commercial banks. Financial access to different social groups particularly to the low-incomers has become an important tool for decreasing poverty alleviation and inequality for many developing and under-developing countries. Yet, government liberal policy changed and improved the scenario, whereupon the development of non-state banks and non-bank financial institutions and MFIs had extended financial services to the areas where state banks were previously not so active. In this, Rahman and Luo (2024) have elaborated on the power of microfinance and suggested that government authorities should take necessary steps to settle the existing barriers of microfinance in the country.

In a study of Ezeala et al. (2023), financial inclusion is about access to a broad range of those who are unbanked or underbanked, providing them with sustainable financial services. Financial exclusion is when an individual or a group of people are unable to access different financial services and products in the financial market. This excluded has no access to any business or no business relationship with any financial institution thus cannot expand operations. And this tells that microfinance is important in improving the financial stability of one country. An average return of microfinance banks in the country was significantly higher than the return of commercial banks which means that it is generally needed to supervise those who are in rural communities that have lowerincome than those in urban.

According to Hussain et al. (2020), it reveals that the technical efficiencies for both social and financial efficiencies were affected by this managerial inefficiencies, which is measured by pure technical efficiency. On the other hand, the impact of government size shows that tax burden and government spending positively affects the efficiency of microfinance institutions. Policy makers can distinguish the relevant inputs of MFIs to sustain in a long term period and thus, revise the policy accordingly and efficiently. Designing the policy regulation based on different economic freedom dimensions of MFIs. Increasing tax implications have helped MFIs to aid the needs of borrowers in a country. Wherein, it focuses on maximizing the profit instead of helping the poorest of the poor citizens.

In support of the study of Hussain et al. (2020), Day (2023) said that the policymakers could maximize the benefits of microfinance by lowering the hindrances to selfemployment and the regulations that burden the microfinance institutions. Countries have efficiently gladdened entrepreneurship with long deadlines for entrepreneurs on welfare to declare income until their ventures are sustainable enough to pay listed taxes. Microfinance institutions have funds to match unbanked entrepreneurs with capital and expertise, in contrast, policymakers must revise the tax and administrative framework to mediate small entrepreneurs.

Rich (2018) said that practicing microfinance in rural and urban areas in the Philippines, specifically in Puerto Prinsesa, Palawan, which was examined by this study are different. For the outsider, the interpretation of data and ethnographic research can conclude that microfinance is not increasing economic growth and it is not really helping families out of poverty. Contrarily, other MFI participants benefit from the internal ground of microfinance. Microfinance allows these said families to gain a sense of agency in their lives.

Access to Credit

According to Rapisura (2023), there were approximately 6,138 microfinance institutions in the Philippine sof which 187 of them were banks, 2,762 were cooperatives and 2,582 were lending companies that also engaged in microfinance. According to Bangko Sentral ng Pilipinas (BSP), microfinance is the provision of a diverse financial service such as deposits, loans, payment services to sustain the needs of small businesses and to enable them to raise capital. The growth of this microfinance has increased from 11%-16% member growth rate. Low-income earners were mostly the clients of this microfinance for such they need assistance to support their start-up or growing businesses. In rural areas, microfinance institutions offer their services to small farmers and fisheries for the reason that they are widely known to seek assistance.

Credit is considered a vital tool for raising informal workers' incomes. In order to improve their quality of life, the state should help them get credit. The factors influencing the availability of credit for informal laborers during the COVID19 pandemic are examined using survey data collected from 2020 VHSSL by Vu (2022) As a result, loan availability may be regarded as a crucial factor to combat poverty and overcome the challenges brought on by the COVID-19 pandemic. Aside from the positive characteristics that are likely to influence credit access, such as education, material, collateral, credit size, credit source, and credit debt, the negative elements are age, family size, ethnicity, interest, and paid money.

MFIs enable individuals to securely access sensible small business loans while adhering to sound lending standards. It aims to establish the operational procedures of MFIs. Four factors influence the operational practices of MFIs: loan and data processing, marketing strategies, management technique implementation, and risk management approaches. Data were collected from 100 employees working at MFIs in San Pablo City, Laguna, Philippines. Findings indicate that loan and data handling, marketing approaches, execution of management methods, and risk management tactics significantly influence the operational practices of MFIs. Implementing flexible policies, strategies, laws, and regulations to enhance their daily operations. Microfinance Institutions (MFI) are important because they can offer easy access to advantageous and affordable financial products and services. Due to its proven benefits for the welfare of the impoverished, this has attracted significant interest from both practitioners and policymakers (Eseo, 2023).

In the study of Dossou et al. (2020) it examined the suitability of the credit supply in relation to the aspirations of Central Benin's rice farmers in order to establish policies for better agriculturally focused financial services. The financial services provided by the microfinance institutions in the research area included short-term loans and savings. The outcome highlights the mismatch between the present offerings of microfinance institutions and the requirements of rice farmers. Different options have been explored to create a micro-credit service that better meets the needs and expectations of farmers while ensurin3g the sustainability of microfinance institutions. The imminent establishment of an agricultural bank in Benin may help alleviate barriers to financial access, by leveraging existing microfinance institutions that are currently working to assist farmers. Among various factors, supplying financial resources—under favorable terms—to microfinance institutions will enable them to contemplate lowering interest rates. To minimize the likelihood of credit defaults, the supply of credit must be inventive by offering a combination of technical assistance and management (financial literacy).

Interest Rate and Terms of Microfinancing in the Philippines

According to Wondirad (2022), empirical literature on microfinance interest rates is examined in order to clarify the foundation of the urgent ethical discussions. The theoretical investigations were also carried out to learn more about the fairness of interest rates in microfinance. In addition to being affordable for the poor, a reasonable interest rate may help microfinance organizations remain viable and continue to offer low-income households a steady stream of financial services and also microfinance institutions are making higher interest rates on the borrowers to conceal the operating cost beyond profit maximization. The impact of higher interest rates has both positive and negative effects on different microfinance institutions when it comes to financial performance. Collaboration among stakeholders is required to find the optional interest rate that guarantees microfinance organizations remain sustainable and accessible to borrowers. Ease of Loans Disbursement and Access to Funds

In the appendix 41 of BSP Section 314 pursuant to R.A. 8791 following the rules, regulations and standards of the government, the maximum principal amount that can be borrowed by an individual was, P150,000.00. The interest on this such amount should be reasonable and just as may be determined by the management to be consistent with its credit policies. Additionally, Low-income households borrow from microloans like microfinancing institutions (MFIs) when they cannot access financial institutions when they have an inability and requirements to borrow and don't have collateral to give in. Households can then be granted access to essential financial services of microfinancing such as small loans, savings accounts, and insurance (Aguja and Batuigas, 2024).

According to Hubert (2022), the impact of loan officers' gender on loan repayment results within microfinance institutions (MFIs) in Cameroon. They utilize a pooled probit model on a distinctive dataset consisting of more than 7000 loans granted from 2007 to 2012 by two commercial MFIs in Cameroon, while accounting for demand-side elements (borrower characteristics), lending techniques, loan contract terms, year, and industry-specific fixed effects. The findings show that the performance advantage of male loan officers over female officers is confirmed only during challenging periods. In times of crisis, male loan officers seem to enhance their monitoring activities more than female ones. After addressing selection bias, the findings show stability and display decreased sensitivity to changes in the assessment of loan repayment performance.

Repayment Flexibility

Microfinance contracts demand a rigid repayment schedule, and it might severely impede entrepreneurship and business growth, despite the fact that this specific schedule assures a degree of repayment discipline. Financial innovations that give borrowers flexibility in repayment could assist business owners taking advantage of business possibilities and adjusting to changes in income. Surprisingly few emerging economies are using these novel contracts, despite the fact that they are becoming more and more available in developed economies. Alvior & Cabaluna (2021). Although their effect on default rates is still up for question, flexible repayment plans have been demonstrated to improve business growth and attract borrowers who might be better able to seize the chance Barboni (2024).

Credit Protection Practices in the Philippines

According to the Bangko Sentral ng Pilipinas (BSP), Circular NO. 1052 Series of 2019, the "Truth Lending Act" is a law wherein banks, quasi-banks (QBs), Non-Stock Savings and Loan Associations (NSSLAs), pawnshop and other non-bank financial institution (NBFIs) requires to make a disclosure of an efficient and cost-effective cost of borrowing to serve integral part of every credit transaction contract that the borrowers made. This policy ensures the protection of the borrowers from lack of awareness of the cost of credit by assuring a full disclosure of any cost with a view of preventing the uninformed use of credit.

In support of the Truth Lending Act of the BSP, the Consumer Act of the Philippines (R.A. No. 7394) was enacted to protect the consumers or borrowers against any risk to the safety against deceptive, unfair and excessive acts or practices by the lending companies or anyone. This act embodies the protection of consumers and establishes the standard of bearing in a country.

Credit Protection Practices of Microfinance

In the study of De Leon et al. (2019), the microfinance institutions (MFIs) were acknowledging the possibility of risk existing in their business operations because of their clients and the nature of their industry. They succeeded in handling these hazards by the use of different methods such as; incorporating microinsurance into loan products, regularly analyzing and updating plans of strategies and ensuring data integrity. Another essential component to consider was having institutional risk capability.

Microfinance institutions had a hard time relying on member contribution even if the borrowers are experienced and welleducated in credit. Lack of diversified funding, inadequate accountability and knowledge gaps are some of the challenges faced by them. These institutions should diversify their funding sources by applying for other government grants that could attract external investors to reduce the reliance on funding from member contributions. Additionally, financial literacy training among members is crucial to improve financial decision-making and could support long-term sustainability (Flores, 2024).

Borrower's Financial Well-being in Rural Areas

Financial well-being is a key component that is crucial in improving quality of life and overall well-being in terms of necessities. The past pandemic proves that financial wellbeing among low-income earners, entrepreneurs and individuals was a must. With this, Guo and Huang (2023), states that low-income earners among rural areas have lower levels of financial well-being, final knowledge, skills and access to mainstream financial products than those with higher-income earners.

In addition, according to Ibrahim et al. (2024), households financial well-being is crucial in the B40 community or those who stayed and living in rural areas. The level of financial skills and access to financial knowledge crucially affects each household's financial well-being. In addition, the influence of external and internal factors such as access to financial services, social support, or any financial program also affects these B40 communities. With this, digital financial literacy significantly played a role in improving the financial wellbeing of households by empowering them to manage their finances more efficiently, protecting themselves from deeper financial risks, and taking advantage of access to different financial services.

As to Guo and Huang (2023), financial well-being is a key component of what a good life and overall well-being are affecting the overall aspects of quality life. Compared to highincome earners, low-income earners statistically lack financial skills, financial well-being, financial knowledge and access to mainstream financial products. As a result of this, these people are typically the ones whose only alternative is to risk other financial products that have higher interest risk. Especially when pandemic came, financial capability plays a vital role in supporting the financial well-being of low-income earners. This also argues that promoting the financial capability of low-income earners helps to improve and protect their financial well-being from any bigger possible risk and crisis. Alvior & Cabaluna (2021)

Each unit of communities today is more liable for their personal finances than they have been in past years. Along with the rising expectancies, pension, social welfare systems, education and health being strained. There is a change in the individual labor market in which skills are being crucial, leading to discrepancies in wages between those who attained a college education and those with lower education levels. Which could lead to an idea that it is an essential indicator for people's ability to make best financial decisions is through their level of financial literacy. The Organization for Economic Cooperation and Development (OECD) said that financial literacy is not only about knowledge and understanding of financial ideas as well as risks, but also it tackles about the skills, motivation, and persistence to utilize knowledge and understanding for the purpose of having more effective decisions across a range of financial contexts to improve the financial well-being of individuals in the communities of rural areas as well as everyone in the society (Lusardi, 2019).

Knowingly, there's a huge growing concern over personal financial vulnerability in developed nations to enhance their financial well-being, linking to those individuals in rural areas who are more concerned with their financial well-being. In CALABARZON, collecting 196 respondents' compensation workers have been asked and revealed that there's a huge positive correlation between personal well-being, and financial well-being which also connects to social capital impact. People with insufficient work repayments need to undergo several training practices wherein they knowingly that sometimes their salaries are somehow suited only for daily expenses and there is nothing left for savings. And by this, it emphasizes that improving financial well-being does not necessarily result in significant economic costs for employers. This not only enhances the insights into employees' well-being but it also tackles the aids in identifying the needs of individuals for financial assistance, determining that there must be training or intervention needs to evaluate financial treatment outcomes (Bernardo et al. 2023).

This study explored the policies and practices of microfinance and its effect on the financial well-being of the borrowers coming from the rural areas of Santa Ana, Pampanga. Furthermore, the result of the investigation may provide significant advantages to the following:

Microfinance Sectors. Microfinance Institutions became the first and last card of borrowers when it comes to financial needs and this study will be beneficial to microfinance sectors which can provide them references to enhance their transaction processes and operations.

Borrowers. This study will be beneficial to inform borrowers about the potential risks and rewards associated with using microfinance services that affect their financial well-being.

Bangko Sentral ng Pilipinas (BSP). BSP as a central bank of the country was known for its power to conduct monetary policies and supervision to the financial system. The findings of this study would give insights to them to enhance their institutional policy.

Policymakers. The findings will help them use the insights to effectively explain and improve the benefits of microfinance to the borrowers and fix concerns in interest rates of microfinance in rural areas of Sta. Ana, Pampanga.

Financial Institution. This study is significant for various stakeholders, including local government officials, microfinance institutions, and financial educators, as it can guide policy development and educational programs.

Future Researchers. The data collected will be beneficial to future researchers, for it will offer them with all the data required for future knowledge expansion.

2. Methodology

2.1 Research Design

This study employed a quantitative approach to examine the exploration of microfinance, policies and practices to microfinance and the financial well-being of borrowers in the rural areas of Sta. Ana, Pampanga. This only means that all the data that have been present in this study will be expressed in numbers and mathematical figures. Quantitative research is a type of research wherein all data that will be gathered in the study will be analyzed numerically through the use of specific research methods. A self-made online survey has been utilized to collect data on key variables, which also includes the knowledge of the borrowers to the policy and practices of microfinance.

Also, descriptive-correlational research design has been utilized, considering that it was the most appropriate research methodology allowing for the exploration of relationships between microfinance usage and borrowers' financial wellbeing. Researchers collected its data to justify the relationship of policy and practices of microfinance to the financial wellbeing of the borrowers without declaring any claims of cause and effect. This only includes collecting and analyzing data on two variables to show and identify if there's a link between variables (Bhat, 2025).

The study's main goal was to determine how the financial well-being of the borrowers was affected by the different policies and practices of microfinance. Using a descriptivecorrelational methodology, this study will put an insight into the level of the microfinance impact and any possible implications for the borrower's financial well-being. In connection with the study, the researchers have used survey questionnaires to collect the data needed. The results from the study help raise awareness of the microfinancing policy and practices to encourage more equitable microfinancing knowledge among the rural areas.

2.2 Population and Sample of the Study

The respondents of this study all came from the microfinance borrowers of rural areas of the municipality of Santa Ana, Pampanga. The respondents of this study were selected using two methods: stratified random sampling and convenience sampling.

Stratified sampling is a method to obtain representatives of a population that the researchers have divided into relatively similar sub-population or strata. In this study, the 14 barangays of Santa Ana, Pampanga was used as the strata. Borrowers from each barangay have been selected at random based on their sources of their age, sources of income, monthly income salary, and the frequency of participation on microfinance programs.

Another sampling that has been used was convenience sampling to fix the restrictions coming from individuals' privacy constraints. This strategy authorizes the researchers to choose easily accessible borrowers from each rural area, which gives a result in a more efficient collection of data.

This kind of stratification ensures that the sample sizes per barangay will be distributed accordingly. A total of 248 household members has been surveyed, using the sampling of convenience and availability of the respondents, with a sample size determined through Raosoft software, considering Santa Ana's population, 17-18 individuals will be selected from each area. Through the Raosoft Software that has been used to determine the sample size, which will include 248 households, considering that Santa Ana has a large population level, this will have a 95% confidence level, and a 5% margin of error. This method could have a diverse effect on borrower's perception and will ensure that the respondents are representatives of the community.

2.3 Research Instruments

To ensure its validity and reliability, the research tool that has been made was a self-made questionnaire. A 44-item questionnaire was presented in the questionnaire in order to gather relevant information on the policy and practices of microfinancing that affects the borrowers' financial wellbeing in rural areas of Santa Ana, Pampanga. The survey questionnaire that has been used is a self-made questionnaire format which also employs a four-point Likert scale to measure the respondents' perception when it comes to the effect of policy and practices of microfinance. The survey instrument was developed through a review of literature and experts and consultations and was pilot tested with a small group of borrowers to ensure clarity and validity.

The survey questionnaire has two sections. The initial section utilizes the information of the borrower's financial well-being in rural areas in the municipality of Sta. Ana, Pampanga including their demographic profile. The demographic profile of the respondents provides background information about their age, sources of income, monthly income salary, and their frequency of borrowing in microfinance institutions.

The other segment focuses on the exploration of microfinance and its policies and practices, including the access to credit of borrowers, interest rate and terms of microfinancing in the Philippines, ease of loan disbursement and access to funds, repayment flexibility, and credit protection practices which will use the system of four-point Likert scale, where respondents can indicate the level of agreement or disagreement: Strongly Agree (4), Agree (3), Disagree (2), and Strongly Disagree (1).

In order to verify the validity of the instruments, careful content validation techniques have been used to ensure whether the items appropriately represent the desired constructs. The researchers integrated the recommended changes into the study tool and submitted the questionnaire to a marketing research specialist for content validation. To evaluate the reliability, comprehensibility and clarity of the items under each variable, prior to actual implementation, a pilot test of the instrument has been carried out with 30 respondents.

2.4 Data Collection Procedure

This study utilizes an online survey for data collection. Initially, the researchers seek approval to conduct the study beyond school premises. The letter outlined the description of the collection methods and procedures.

1. A Google Form has been used as a primary tool by the researchers to gather data. A letter requesting participation has been included on the first page of the Google Form, engaging the respondents to participate in the study by filling out a research questionnaire. Respondents can also express their willingness to participate on the same page. Additionally, an online survey has been done via Messenger chat during the data collection period. Data gathering from Santa Ana, Pampanga locals has been done efficiently by using online questionnaires made with Google Forms.

2. After the researchers have obtained the letter, a pilot test was conducted to assess the validity of questionnaires, accommodating 30 participants from different areas of Santa Ana, Pampanga. After the pilot testing, researchers conducted its final survey to gather data from its participants. Using Google Forms questionnaire as the primary tool to gather data, the researchers provide internet access or mobile devices to the participants who've been in lack of resources. In ensuring the participants privacy and confidentiality, the researchers store their data securely. After the survey, the checking of data has been done with the help of a hired statistician to consult and guide the researchers in data analysis and interpretation.

2.5 Statistical Treatment

The sub-variables for the policies and practices of microfinance and its effectiveness was assessed using Likert scale. Wherein Likert scale was used to measure opinions, behaviors, or preferences of people, specifically respondents of a study using levels of agreement or disagreement with a particular statement (Jebb, 2021).

Likert Scale: This scale facilitates the analysis of policies and practices of microfinance and its effectiveness based on respondents' perception of their financial security and level of trustworthiness attributed to microfinancing. This also provides descriptive ratings, perceptions, effects and ranges for the collected data. Respondents expressed their perception on different statements which were given in the questionnaire, ranging from "strongly agree" to "strongly disagree". A fourpoint Likert scale was selected to minimize central tendency bias, encouraging respondents to express their view more decisively.

4.1 Summary of Findings

A. Demographic Profile of the Respondents

Age is the first question in the demographic profile and most of the respondents were 35 to 44 years old which indicates 77 out of 248 of respondents. The source of income of most of them was through their income salary which was said by 99% of the borrowers. The predominant monthly income of the borrowers was said to be below Php 5, 000 and lastly, their frequency of borrowing was occasional. This all means that the borrowers' demographic profile in terms of age, sources of income and monthly income salary affects their frequency of borrowing in microfinance.

B. Level of Perception of the Respondents in Terms of Microfinancing Policy and Practices

Access to Credit. The respondents were dominantly agreed that as to access to credit, they mostly appreciate the microfinance services on the reason that it accommodates and aids the financial needs of small business owners and entrepreneurs and they submissively chose an indicator which states that MFIs provide equal access to credit for individuals from different income levels.

Interest Rate and Terms of Microfinancing. As for the interest rate and terms of microfinancing, the respondents agreed that the interest rates and terms of microfinancing ensures fair and just interest rates to prevent financial burden on burden equivalent to which the respondents also dominantly chose an indicator that says that they believe that the interest rates offered by MFIs are competitive compared to other lending sources. This contrasts the indicator in which it states that the MFIs provides transparent information regarding loan terms and conditions in which it gets the lowest weighted mean of two point ninety-nine.

Ease of Loan Disbursement. The weighted mean for each indicator aligns with the “Agree” category. Specifically, the statement five leans the indicators which states that the respondents appreciate the MFIs in the reason that it uses modern technology to make loan processing faster and more convenient with a weighted mean of 3.10 and verbal interpretation of “agree”.

Repayment Flexibility. As for the repayment flexibility of the respondents to MFIs, it is shown that the respondents most appreciate the MFIs when it provides various payment methods for loan repayment. In this, all indicators got a weighted mean of 3.06 and a verbal interpretation of “agree”.

Credit Protection Practices. The overall weighted mean of indicators was 2.96 resulting in a verbal interpretation of “Agree”. This was predominated by statement five which states that the respondents trust MFIs when it prioritizes financial literacy to help the borrowers make informed credit decisions contrary to the indicator which states that they feel assured that their lender explains the risks and responsibilities of borrowing before loan approval which gets a lowest weighted mean and standard deviation.

C. Borrowers’ Financial Well-Being in Rural Areas

The borrowers’ financial well-being in rural areas dominates the indicator that states that the respondents appreciate MFIs in a way that it encourage responsible borrowing and repayment habits, contrarily to the indicator in which it states that the respondents believe that access to microfinance services has helped them reduce their financial stress and worries which this indicator gets the lowest weighted mean.

D. Level of Perception of Respondents in Microfinancing Policy and Practices Significantly affecting the Financial Well-Being of the Borrowers

It shows a very strong positive correlation and significance that the respondents' level of perception towards the microfinance policy and practices affects the financial wellbeing of the borrowers, with a coefficient of 0.823 and highly p-value of 0.00. This made that the null hypothesis should be rejected.

E. Ways to Improve Microfinancing Policy and Practices

Microfinancing institutions may improve their way providing equal access to credit among individuals from different income levels, provide more transparent information regarding loan terms and conditions, provide clear guidelines for loan disbursement and fund utilization, allow more reasonable adjustments to repayment schedules, and lastly, MFIs could explain further the risks and responsibilities of borrowing before approving the loan asked by the borrowers.

4.2 Conclusions

Based on the findings of this study, the researchers draw the following conclusions:

A. The researchers concluded that the demographic profile of the respondents could affect the level and frequency of borrowing, especially through the borrowers' age, source of income and income salary.

B. The borrowers or respondents' perception towards micro financing policies and practices greatly affects the level of borrowing mainly because of factors like access, interest rates, loan disbursement, repayment flexibility and credit protection. Through the perception of micro financing policies and practices, borrowers tend to hesitate and borrow money. Contrarily, borrowers who earn low and have an inadequate knowledge of microfinance are the borrowers who do not acknowledge the terms and conditions or consequences of borrowing that could possibly result in a deeper debt issue.

C. Microfinance institutions and programs encourage responsible borrowing and repayment habits among borrowers, empowers people to save plans and future needs, and also empowers people to make better financial decisions. Conversely, microfinance services do not fully reduce financial stress and worries of the borrowers apart from improving the quality of life of the borrowers due to the financial opportunities.

4.3 Recommendations

The recommendations on the study:

1. The researchers would recommend to the borrowers to be vigilant and deeply understand that they should align their financial capability in borrowing from MFIs in order not to fall into a deeper debt and financial issue.

2. Microfinance institution could improve and develop their way of providing equal access to credit for individuals with different income levels, transparency of information regarding loan terms and conditions, clear guidelines for loan disbursement and fund utilization, providing

flexible repayment options, and lastly, expounding the risks and responsibilities of borrowing before loan approval.

3. Based on the findings, it is recommended that MFIs could help out the borrowers to have reasonable adjustments to repayment schedules in case of financial difficulties in order to lessen the pressure and help them to reduce their financial stress and worries. It is also recommended that MFIs could develop comprehensive financial education programs to support borrowers in managing their loans effectively.

4. It is recommended that local government agencies collaborate with microfinance institutions to create policies Social Capital's Mediation in Compensation that foster a sustainable microfinance environment for Worker's Financial to Personal Well-Being in borrowers. Calabarzon, Philippines.

5. Based on the findings, it is recommended that the microfinancing policy and practices may be improved if they, will provide better financial services that could help the September. The Impact of Microfinance borrowers to reduce their financial stress and worries, they Institutions on Poverty Alleviation. Banking could also improve their loan services that could give the Finance.

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