



EFFECTS OF THE PRODUCTS AND SERVICES OF MICROFINANCE INSTITUTIONS ON THE ECONOMIC DEVELOPMENT OF THEIR MEMBERS IN VINTAR, ILOCOS NORTE, PHILIPPINES

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ABSTRACT

This study aimed to investigate the effects of Microfinance Institutions (MFIs) on the economic development of their members in Vintar, Ilocos Norte, Philippines. The research utilized a descriptive correlational research design and employed a survey questionnaire to collect data from 603 respondents. The participants were selected from the membership base of two prominent MFIs, namely CARD Bank Inc. and ASA Philippines Foundation Inc., who had been members for a minimum of two years. The study focused on the top three barangays with the highest number of members, namely Barangays Parut, Alejo Malasig, and Pedro F. Alviar.

The study found that the MFIs provided high-quality products and loan features to their members, resulting in a high level of member satisfaction, which positively influenced their economic development. The satisfaction with customer services offered by MFIs significantly correlated with their economic development in terms of financial, personal, and business status. A higher level of satisfaction led to improved economic outcomes for the members.

Furthermore, the study revealed that the MFIs successfully met the satisfaction level of their members regarding customer service and non-financial services. The members expressed a rating of "very satisfied" and "satisfied" for customer service and non-financial services, respectively.

Based on these findings, several recommendations were proposed. Microfinance Institutions should consider the financial status of their members by offering reasonable service fees and implementing flexible repayment options, including reasonable penalties for nonpayment/default, to reduce the financial burden on members. MFIs should also engage in community development projects across different municipalities to further enhance the economic development of their members.

In addition, Microfinance Institutions should provide comprehensive business training programs to equip members with improved business strategies, thereby facilitating business growth and expansion. It is also important for members to ensure timely repayment of their loans and actively participate in the activities organized by MFIs to maximize the benefits and opportunities offered.

For future research, it is encouraged to conduct similar studies in other regions offering products and services of Microfinance Institutions, considering additional variables such as incentives and benefits provided by the MFIs. By implementing these recommendations, Microfinance Institutions can strengthen their impact on the economic development of their members, leading to improved livelihoods and socio-economic growth in the community.

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Introduction

Many low-income households seek access to finance to stabilize their income stream and save for future needs. According to the World Bank, more than 500 million people have benefited directly or indirectly from microfinance operations (World Bank, 2015). Microfinance institutions (MFIs) are more popular in developing countries, as they are designed to help those from low-income families. Individuals who obtain microcredit loans may lack financial knowledge, making it impossible for them to apply for traditional loans due to the required documentation. Various studies have shown that microfinance has gradually attracted recognition as a potent tool for poverty alleviation (Oguejiofor & Unachukwu, 2014).

The General Banking Law (GBL) mandated the Bangko Sentral ng Pilipinas (BSP) to recognize microfinance as a legitimate banking activity and to set the rules and regulations for its practice within the banking sector. Three provisions in the GBL recognized the unique characteristics of microfinance, in line with the National Strategy for Microfinance - establish a favorable policy and regulatory environment, increase the BSP's and the banking sector's capacity for microfinance operations, and encourage and advocate for the development of sound and long-term microfinance operations (BSP, 2000). The Philippines has a well-developed financial system that includes a diverse range of financial institutions, from huge universal banks to small rural banks and even non-banks (BSP, 2017). The microfinance industry in the Philippines has a loan portfolio of 46 billion pesos, 3,000 outlets, and six million active clients, 91 percent of whom are women (Jain, 2019).

A microfinance institution (MFI), like a bank, is a credit provider. The loans are, however, smaller compared to those issued by typical banks. Its function incorporates extending small loans, and savings accounts, and providing other basic financial services to those who do not have access to capital (ADA, 2022). Microcredit is the term for these small loans which are offered to people who do not have a regular source of income, collateral, or credit history. Its purpose is to assist and stimulate entrepreneurs who are unable to secure the necessary funding to start a small business. Traditional banks consider this type of client to be too hazardous because they cannot provide substantial collateral and prefer to work in the informal sector of the economy. Hence, MFIs assess the clients' willingness and capability to repay the loan before approving it to ensure that the institution is operated on a sustainable basis (BSP, 2013).

The province of Ilocos Norte is providing loans to micro and small businesses (MSEs) that have been hit hard by the coronavirus disease pandemic of 2019 (Covid-19). These small loans, when properly handled, can be utilized to start small businesses and create other income-generating activities with long-term benefits while providing them with a zero-interest rate (Adriano, 2020). Whereas this study involves the two microfinance institutions established in Vintar, Ilocos Norte specifically, the ASA Philippines Foundation Inc. and CARD Bank Inc. ASA Philippines is a non-profit corporation that specializes in microfinance and the foundation is now catering to more than 1.9 million clients as of February 2022 whom ASA Philippines refers to as Micro-Entrepreneurs (ASA Phil., 2022). Meanwhile, the Center for Agriculture and Rural Development Bank (CARD Bank Inc.) is committed to providing a diverse range of loan and savings products, and other services. It has also currently 54 branches around the country, serving more than 900,000 as of February 2022 (CARD Ph, 2022).

These micro-financial institutions implement programs to outreach poor or rural regions to obtain access to financial services such as in Ilocos Norte. However, numerous banks are already established in the country, a great number of Filipinos are still living in the outskirts of the province that are left behind and lack access to formal banking, particularly in Vintar, Ilocos Norte. This municipality has seen the potential of these financial institutions to render their services as they aim to improve the quality of life in this community and expand their outreach.

Furthermore, this study depicted the member's satisfaction level, the extent of effectiveness of the products and services of the microfinance institution, and if there is a significant relationship between the member's level of satisfaction of the microfinance institutions in terms of the products and services offered, and the effects of products and services of microfinance institutions on the economic development of its members in Vintar, Ilocos Norte, Philippines as regards to financial status, personal status, and business status. There are various studies on microfinance institutions that have been conducted, but this is the first study undertaken that addresses the effects of the products and services of microfinance institutions on the economic development of their members, particularly in the municipality of Vintar, Ilocos Norte, Philippines. Consequently, this study is conducted for two reasons. First, it is relevant to the current situation caused by the global health crisis pandemic, which is affecting the financial sources of the people, particularly the members of these institutions. Second, there is a connection between this study and the researchers since the majority of the researchers have a family member who is a CARD member, which motivates them to acquire more knowledge and awareness about the institution.

Literature Review

RA 10693, c. 2015: Microfinance NGOs Act strengthens non-governmental organizations that provide microfinance to the underprivileged. Furthermore, it serves as a crucial legal framework that supports microfinance initiatives in the Philippines. As a result, it provides the researchers with an understanding of microfinance and its purpose for the Filipino people. In addition to this, RA 8425, c. 1998: Social Reform and Poverty Alleviation Act focuses on social reform and poverty alleviation, addressing issues related to poverty reduction and social inequality. Moreover, it aligns with the goals of microfinance institutions in addressing poverty eradication and promoting social development.

Expectancy Disconfirmation Theory is widely used to explain satisfaction with public services. Specifically, it suggests that people evaluate a service's performance based on their expectations. Consequently, if the actual performance meets or exceeds their expectations, they will feel satisfied. Furthermore, this theory provides insights into understanding client satisfaction in the context of microfinance institutions. On the other hand, the Incentive Theory proposes that human actions are motivated by rewards. Within the context of microfinance, this theory suggests that offering incentives can influence client behavior and encourage desired outcomes.

Human development theory focuses on enlarging people's choices and improving their lives. It emphasizes the centrality of individuals in all aspects of development. Therefore, this theory provides a broader perspective on the goals and objectives of microfinance institutions in promoting human development and well-being. In addition, the Life Cycle Theory and Financial Sustainability suggest that as microfinance institutions gain experience over time, their business models and funding mechanisms improve. Consequently, this enables these institutions to transition from being small, ineffective, and financially unsustainable to becoming large and sustainable.

Consequently, understanding this theory helps assess the long-term viability and effectiveness of microfinance institutions.

Social development, which encompasses social sustainability and inclusion, emphasizes the removal of barriers and the inclusion of marginalized individuals in economic and social opportunities. Furthermore, this theory aligns with the goals of microfinance institutions in promoting inclusive growth and reducing social disparities. On the other hand, economic development involves the creation of wealth and the realization of community benefits. Additionally, it extends beyond mere job creation, focusing on enhancing overall prosperity and improving the quality of life for all residents. Understanding economic development is crucial in assessing the broader impact of microfinance on communities.

Microcredit, a type of microfinance, provides small loans to individuals, particularly those from low-income backgrounds in developing countries. Consequently, these loans aim to help individuals become self-employed or establish small businesses. Understanding the concept of microcredit is essential in analyzing the specific financial mechanisms employed by microfinance institutions. Therefore, by examining these theories, concepts, and legal frameworks, this literature review provides a comprehensive understanding of the contextual factors and theoretical underpinnings relevant to the study. Consequently, it lays the foundation for assessing the effects of microfinance institutions on the economic development of their members in Vintar, Ilocos Norte, Philippines. This assessment considers factors such as client satisfaction, incentives, social development, and financial sustainability.

Conceptual Framework

This study adopted the Predictor-Criterion Variables model as presented in Figure 1, as the research paradigm. The predictor variables in this study consist of the profile of the respondents, and the members' level of satisfaction on the microfinance institutions.

The profile of the respondents consists of their age, sex, marital status, type of family, employment, microfinance institutions where they are members, and number of years as a member of microfinance.

While the members' level of satisfaction of the microfinance institutions was determined in terms of products offered and services offered. The products offered consist of loan applications and loan features, while the services offered consist of customer services and non-financial services.

Loan application refers to the process of availing a loan where requirements are easy to access, easy to understand, and fill up, the branch is accessible, discuss the interest, fast processing, documentary requirements are easy to complete, discuss the processing fee, sufficient time was given to review the terms and conditions, check the capacity to pay, verify the information that's provided.

Loan features are where the microfinance institution provides the members time to pay the loan that's compatible with their capability, provides financial needs, the payment method is reasonable, disbursement is smooth, reasonable service fee, allows repayment, reasonable penalties for non-payment/default, the requirement to save regularly ability to withdraw savings for an emergency, and reasonable interest rate.

Customer service pertains to the treatment of the supervisor or staff towards the members to monitor and give updates, gives information about programs and services, staffs are polite, not having difficulty to contact the employee, staff orient the right to complaint and how to communicate it, fast in resolving complaint or problem, employee did not ask for bribe in return for the fast service, discussed well the information like the loan interest and others like the rights and responsibility of client, the way the employee collect amortization is acceptable, and waiting time before someone assisted at the branch.

Non-financial services where the microfinance institutions give advice about problems related to business during collection day, gives training about business, gives community development project in different municipalities, gives scholarship, launch Christian enrichment program, doing activities that care about environment, doing activities about health, educating about the importance of savings, linking the business to potential clients, and educating about the importance of managing income and expenses.

The effects of the products and services of microfinance institutions on the economic development of their members regarding financial status, personal status and business status comprised the criterion variable.

Financial status pertains to the members of microfinance institutions having the ability to pay, save for the future, more good status to achieve education, more good ways to achieve good health, and household assets number has increased.

Personal status where the members of microfinance institutions have stronger faith in religion, enough money for unfortunate events like natural calamity, accident and death, volume and quality of daily meal, joining in the community occasions, and cleanliness in the family.

Business status pertains to the members of microfinance institutions' enhancement of their weekly income of the business, volume and kinds of products, knowledge in business financial aspect, practices in business management, capacity to complete in other business, number of business customers, business became big, expansion of business in different place, investment in tools for business, and structure of business stall/ place.

The study explored the association between the profile and the respondents and their level of satisfaction on the MFIs products and services.

Further, the study also determined the significant relationship between the member's level of satisfaction of the microfinance institutions in terms of the products offered and services offered and the effects of the products and services of microfinance institutions on the economic development of their members in Vintar, Ilocos Norte, Philippines regards to financial status, personal status and business status.

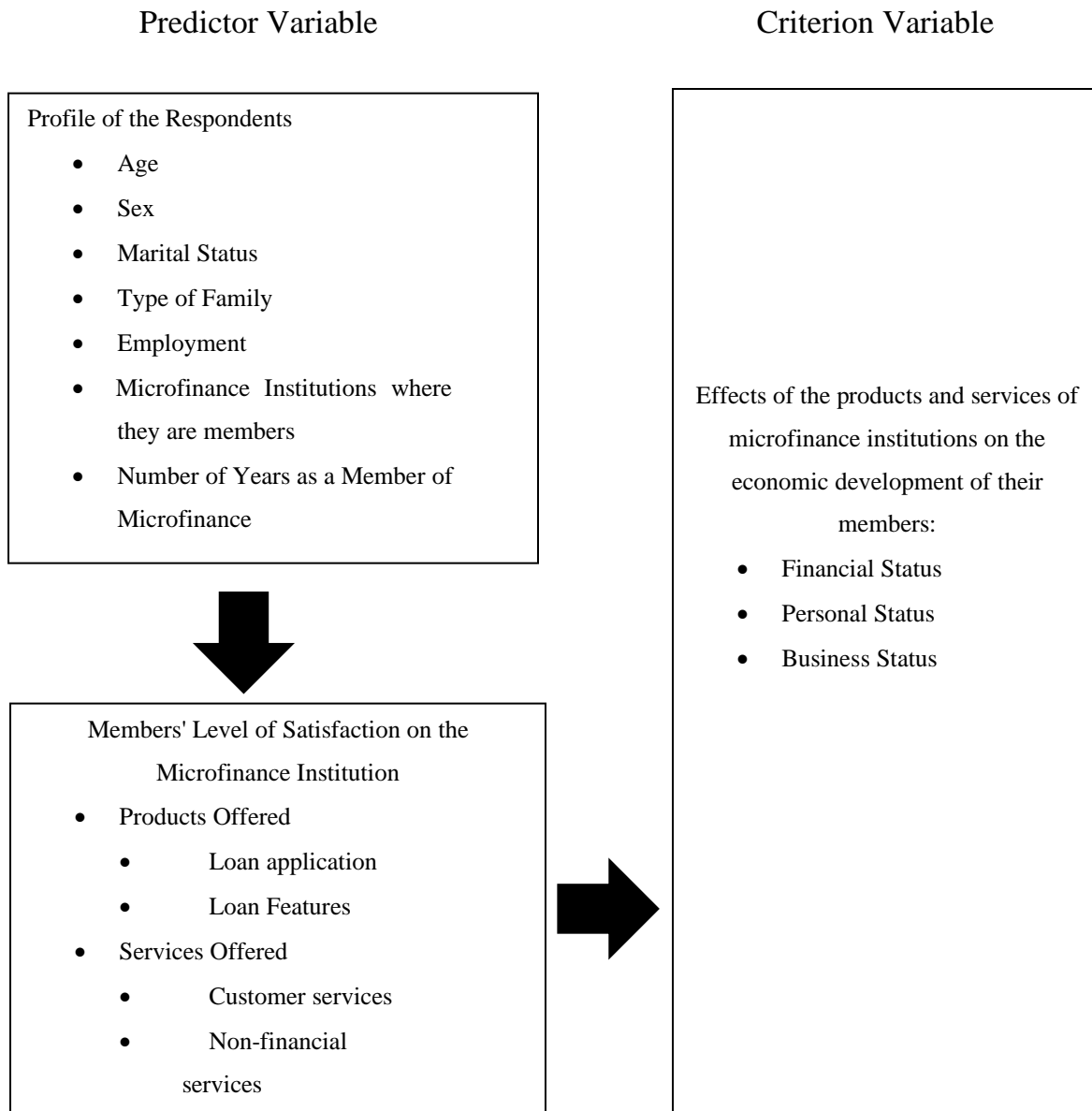


Figure 1. Research Paradigm

Statement of the Problem

This study determined the effects of the products and services of microfinance institutions on the economic development of their members in Vintar, Ilocos Norte, Philippines.

Specifically, it sought answers to the following questions:

1. What is the profile of the respondents in terms of;
 - 1.1 age;

- 1.2 sex;
 - 1.3 marital status;
 - 1.4 type of family;
 - 1.5 employment;
 - 1.6 microfinance institution where they are members; and
 - 1.7 number of years as a member of microfinance?
2. What is the members' level of satisfaction on microfinance institution in terms of:
 - 2.1 Products Offered;
 - 2.1.1 Loan Application; and
 - 2.1.2 Loan Feature;
 3. What is the extent of effectiveness of the products and services of microfinance institutions on the economic development of their members in Vintar, Ilocos Norte, Philippines with regards to;
 - 3.1 Financial Status;
 - 3.2 Personal Status; and
 - 3.3 Business Status
 4. Is there any significant association between the profile of the respondents and their level of satisfaction on the products and services offered by the MFIs.
 5. Is there any significant relationship between the member's level of satisfaction on the products and services of Microfinance Institutions in terms of:
 - 5.1 Financial Status;
 - 5.2 Personal Status; and
 - 5.3 Business Status

Assumption

The members' level of satisfaction with Microfinance Institutions (MFIs) accurately reflects the effectiveness of the MFIs in promoting economic development.

It is also assumed that the survey questionnaire used to collect data from the respondents is a valid and reliable measure of their satisfaction and economic development.

Additionally, it is assumed that the selected MFIs, CARD Bank Inc. and ASA Philippines Foundation Inc., accurately represent the broader population of MFIs in Vintar, Ilocos Norte, and that the findings from this study can be generalized to other similar MFIs and regions.

Hypothesis

Microfinance Institutions (MFIs) have a positive effect on the economic development of their members.

Higher levels of member satisfaction with MFIs' products, loan features, and customer services correlate with improved economic outcomes in terms of financial, personal, and business status.

Scope and Delimitation of the Study

The scope of this study focuses on examining the impact of an innovative work environment on innovative work behavior within the context of Divine Word College of Laoag. Specifically, the study investigates the effect of an innovative work environment across five dimensions: leadership, work practices that support innovation, promoting innovation, physical environment, and learning opportunities.

Research Methodology

This chapter presents the research design, the sources of data, which includes the locale of the study and the population and sampling, the instrumentation and data collection procedure, and the tools for data analysis.

Research Design of the Study

In this study, a descriptive correlational research design using a survey questionnaire was used. According to Siedlecki (2020), as generally accepted, the descriptive method of research is a fact-finding study that encompasses adequate interpretation. This type of research approach includes more than just gathering and tabulating data; it also requires correct analysis, interpretation, comparisons, and the discovery of patterns and relations.

The Locale of the Study

This study was conducted in the Municipality of Vintar, Ilocos Norte, Philippines.

Population

The researchers were focused on the Microfinance Institutions of Vintar, Ilocos Norte, Philippines those who have been a member for at least 2 years. The Unit 1 composed of 11 barangays and delimited into top 3 barangays in terms of membership which composed of Parut, Alejo Malasig, and Pedro F. Alviar. Microfinance Institutions 1 (MFI1) will employ the total enumeration while Microfinance Institutions 2 (MFI2) uses slovin's formula to determine the number of respondents.

$$n = \frac{N}{1 + N(e)^2}$$

	TOTAL POPULATION		RESPONDENTS	
	MFI 1	MFI 2	MFI 1	MFI 2
Parut	28	333	28	181

Alejo Malasig	30	305	30	173
Pedro F. Alviar	15	313	15	176
TOTAL	73	951	73	530

Data Gathering Instruments

A questionnaire laid out in a rating scale was used to gather data. It consists of three parts.

Part I sought the profile of the respondents. Parts II and Part III of the questionnaire were adopted from the study of Gabriel et al., 2021.

Statistical Treatment of Data

The statistical treatment of data in this study involved the following measures: frequency count and percentage for determining respondent profiles, weighted mean for assessing satisfaction levels and the effects of microfinance products and services, chi-square test for examining relationships between socio-demographic profiles and effectiveness of microfinance, and Pearson correlation coefficient for analyzing relationships between satisfaction levels and economic development. Data analysis was performed using SPSS version 20, with a significance level of .01 and .05.

Ethical Procedure

The study was conducted after obtaining approval from the research ethics committee, ensuring that the content of the paper adhered to ethical standards and did not pose any harm to human life or the environment.

Data Gathering Procedure

Researchers obtained approval from Microfinance Institution 1 (MFI1) and Microfinance Institution 2 (MFI2) in Vintar, Ilocos Norte for questionnaire distribution. Respondents provided accurate information, and data analysis involved frequency count, percentage, and weighted mean. Findings provided insights on satisfaction levels and the impact of products/services on economic development.

Results and Discussion

The profile of microfinance members in Table 1 reveals interesting insights about their demographics. The average age of the respondents was 45.60 years, indicating a relatively mature group. Within the age distribution, the range of 41 to 50 was the most prominent, comprising almost one-third of the respondents at 29.35%. On the other hand, the age range of 21 to 30 had the lowest representation, with only 9.62% of the respondents falling within that category.

In terms of gender, females were the predominant group among the respondents, accounting for a significant majority at 81.30%. In contrast, males constituted less than one-fifth of the total, making up 18.70% of the respondents.

When it comes to marital status, the findings indicate that a significant majority of the microfinance members were married, representing 66.83% of the respondents. On the other hand, the percentage of respondents who reported being separated was extremely low, at just 0.33%.

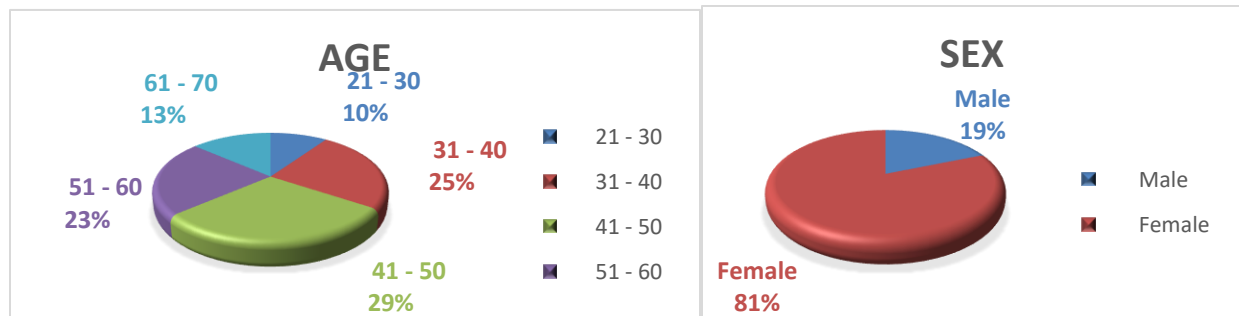
Regarding the type of family, the majority of respondents belonged to a nuclear family structure, comprising 72.50% of the total. The remaining respondents were part of an extended family, representing 27.50% of the group.

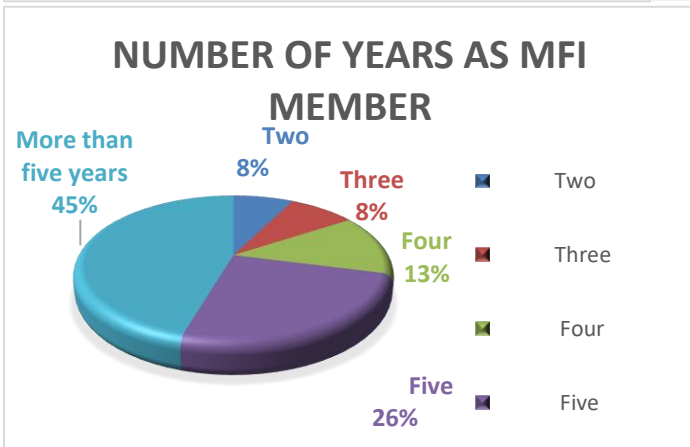
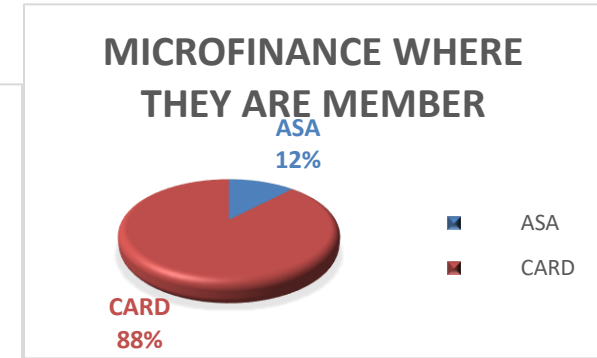
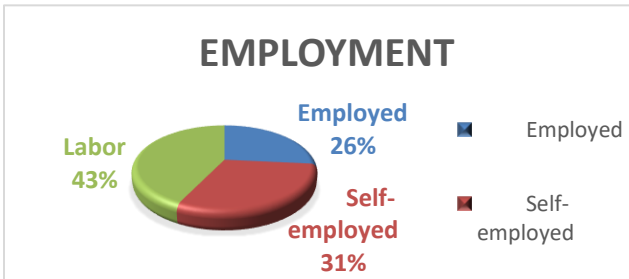
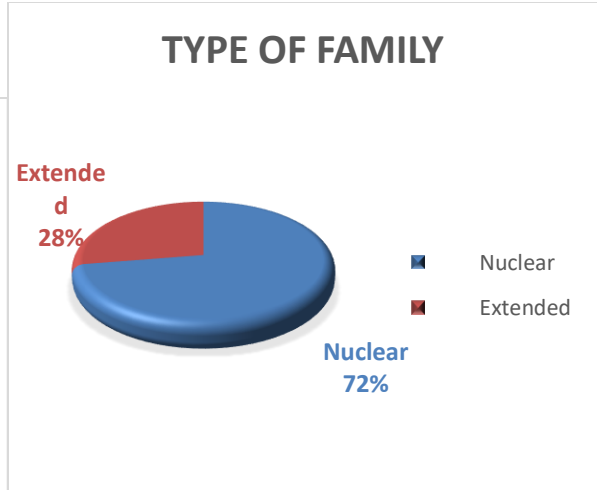
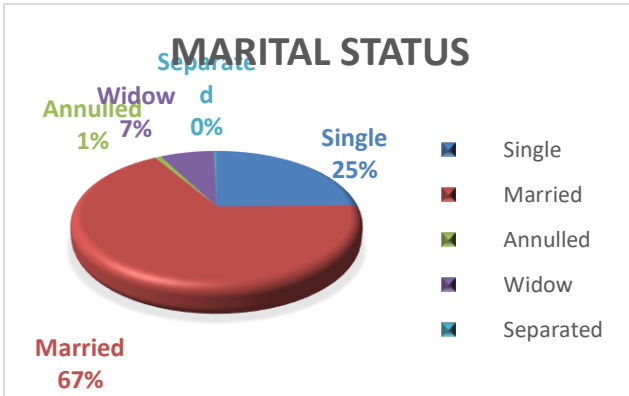
Among the respondents, the largest proportion consisted of individuals who were part of the labor force, accounting for 258 individuals or 42.80% of the total. Additionally, more than one-fourth of the respondents were employed, with 160 individuals or 26.50% holding jobs.

Most of the respondents were members of CARD microfinance (530 individuals or 87.89%), indicating its popularity among the surveyed individuals. ASA Philippines membership accounted for more than one-tenth of the respondents, with 73 individuals or 12.11% being members of this microfinance institution.

Almost half of the respondents (274 individuals or 45.50%) had been members of the microfinance institution for more than five years, signifying a significant level of long-term commitment. On the other hand, the lowest percentage was obtained by respondents who had been members for two years, with only 45 individuals or 7.50% falling into this category.

Table 1. Profile of microfinance members in Vintar, Ilocos Norte (n=603)





PROFILE VARIABLES	FREQUENCY (f)	PERCENTAGE (%)
Age		
21 - 30	58	9.62
31 - 40	149	24.71
41 - 50	177	29.35
51 - 60	137	22.72

61 - 70	82	13.60
Mean age = 45.60 years old		
Sex		
Male	113	18.70
Female	490	81.30
Marital Status		
Single	149	24.71
Married	403	66.83
Annulled	5	0.83
Widow	44	7.30
Separated	2	0.33
Type of Family		
Nuclear	437	72.50
Extended	166	27.50
Employment		
Employed	160	26.50
Self-employed	185	30.70
Labor	258	42.80
Microfinance where they are member		
ASA	73	12.11
CARD	530	87.89
Number of Years as MFI Member		
Two	45	7.50
Three	50	8.30
Four	80	13.30
Five	154	25.50
More than five years	274	45.50

Table 2 illustrates the members' level of satisfaction on the products and services provided by the microfinance institutions (n= 603) microfinance institutions. The highest composite mean of 4.81 was obtained on customer service while the lowest composite mean of 3.93 was taken from the products offered along loan features.

The result mean that by improving their services including broadening the range of services they provide, increases the satisfaction level of the members of microfinance institutions. The highest composite mean for products offered is 4.74 and 3.93 of loan application and loan features, respectively. The members of the Microfinance Institutions are satisfied (overall mean 4.39) on the products and services offered by the microfinance institutions. The products were categorized into loan application and loan features, while services were classified as customer

services and non-financial services. The results, shown in Table 2, indicated that customer service received the highest composite mean of 4.81, while products offered in terms of loan features had the lowest composite mean of 3.93.

These findings suggest that improving services and expanding the range of services provided by MFIs can enhance member satisfaction. The highest composite mean for products offered was 4.74 for loan application and 3.93 for loan features. Overall, members of the Microfinance Institutions expressed satisfaction (overall mean of 4.39) with the products and services offered by their respective institutions.

Table 2: Members’ Level of Satisfaction on the Products and Services provided by their Microfinance Institutions

PRODUCTS AND SERVICES PROVIDED BY THE MICROFINANCE INSTITUTIONS	WEIGHTED MEAN	DESCRIPTIVE INTERPRETATION
I. Products Offered		
A. Loan Application		
1. Loans are easy to access.	4.74	Very satisfied
2. Forms are easy to understand and fill out.	4.74	Very satisfied
3. The location of the branch is accessible.	4.78	Very satisfied
4. Fast processing to get the loan.	4.67	Very satisfied
5. The interest of the loan was discussed well before you accepted the loan.	4.70	Very satisfied
6. Documentary requirements are easy to complete.	4.76	Very satisfied
7. The processing fee of the loan was discussed well before you accepted the loan.	4.76	Very satisfied
8. Sufficient time was given to review the terms and conditions of the loan.	4.76	Very satisfied
9. Capacity to pay was checked before they approved your loan.	4.78	Very satisfied
10. Staff visited you to verify the information you have provided.	4.76	Very satisfied
Composite Mean	4.74	Very satisfied
B. Loan features		
1. Time to pay the loan is compatible to my capability.	4.75	Very satisfied
2. Institution can provide my financial need.	4.76	Very satisfied
3. Payment method is reasonable.	4.66	Very satisfied
4. Process of loan disbursement is smooth.	4.58	Very satisfied
5. The institution has reasonable service fee.	2.20	Slightly satisfied

6.	Allow repayment.	2.00	Slightly satisfied
7.	Reasonable penalties for nonpayment/default.	2.06	Slightly satisfied
8.	Requirement to save regularly.	4.70	Very satisfied
9.	Ability to withdraw savings for emergency.	4.78	Very satisfied
10.	The institution has reasonable interest rate.	4.80	Very satisfied
	Composite Mean	3.93	Satisfied

Table 2. Continued...

PRODUCTS AND SERVICES PROVIDED BY THE MICROFINANCE INSTITUTIONS		WEIGHTED MEAN	DESCRIPTIVE INTERPRETATION
II.	Service Provided		
A.	Customer Service		
1.	Supervisor visits clients to monitor and give updates.	4.80	Very satisfied
2.	The staff gives information about programs and services.	4.82	Very satisfied
3.	The staffs are polite.	4.79	Very satisfied
4.	Not having difficulty to contact the employee.	4.80	Very satisfied
5.	Staff oriented you that you have the right to complaint and how to communicate it.	4.78	Very satisfied
6.	Institution is fast in resolving your complaint or problem.	4.80	Very satisfied
7.	Employee did not ask for bribe in return for the fast service.	4.84	Very satisfied
8.	Employees discussed well the information like the loan interest and others like the rights and responsibility of client.	4.82	Very satisfied
9.	The way the employee collect amortization is acceptable.	4.82	Very satisfied
10.	Waiting time before someone assisted you at the Branch.	4.82	Very satisfied
	Composite Mean	4.81	Very satisfied
B.	Non-financial Services		
1.	Gives advice about problems related to business during collection day.	4.67	Very satisfied
2.	Gives training about business to clients.	3.06	Somewhat satisfied
3.	Gives community development project in different municipalities.	2.32	Slightly satisfied
4.	Gives Scholarship to people.	4.68	Very satisfied
5.	Launch Christian Enrichment Program.	2.86	Somewhat satisfied
6.	Doing activities that care about environment.	4.47	Satisfied
7.	Doing activities about health.	4.71	Very satisfied
8.	Educating about the importance of savings.	4.76	Very satisfied
9.	Linking the business to potential clients.	4.54	Very satisfied
10.	Educating about the importance of managing income and expenses.	4.74	Very satisfied
	Composite Mean	4.08	Satisfied
OVERALL MEAN		4.39	Satisfied

Legend:

4.51-5.00	Very Satisfied
3.51-4.50	Satisfied
2.51-3.50	Somewhat Satisfied
1.51-2.50	Slightly Satisfied
1.00-1.50	Not Satisfied

The study revealed that microfinance institutions in Vintar, Ilocos Norte, had a significant impact on the economic development of their members. The findings highlighted the institutions' effectiveness in improving members' financial status and personal well-being. However, their impact on educational and health aspirations, as well as business expansion, was relatively less pronounced. These insights can guide microfinance institutions in enhancing their services to further contribute to the economic development of their members.

In terms of financial status, the results indicated that microfinance institutions had a very significant impact on members' economic well-being. The composite mean for financial status was 4.86, indicating a "very great extent" of effectiveness. Members reported high levels of ability to pay and save for the future, which were reflected in the highest mean scores of 4.95. However, when it came to achieving a good status in education and health, the mean score was lower at 4.82. This suggested that while microfinance institutions excelled in providing financial security, their impact on educational and health aspirations of the members was relatively limited. These findings were consistent with the research of Rich (2018), which emphasized the importance of mandatory savings accounts provided by microfinance institutions.

Microfinance institutions were found to have a significant influence on personal status. The composite mean for personal status was 4.76, indicating a "very great extent" of effectiveness. Members reported stronger faith in religion and emphasized cleanliness in their families, which received the highest mean scores of 4.79. On the other hand, the volume and quality of daily meals, as well as participation in community occasions, had slightly lower mean scores of 4.74. This suggested that microfinance institutions played a role in strengthening religious beliefs and improving family hygiene practices, but their impact on daily meals and community participation was relatively less pronounced. These findings were in line with the research of Kagan (2022), which highlighted the targeted efforts of microfinance institutions in specific areas such as environmental improvement.

Regarding business status, the findings indicated a significant impact of microfinance institutions. The composite mean for business status was 4.12, indicating a "great extent" of effectiveness. Members reported increased weekly income as the highest mean score of 4.30, reflecting the positive influence of microfinance on business profitability. However, when it came to expanding businesses to different locations, the mean score was lower at 3.63, suggesting a relatively lower impact in this aspect. These findings were consistent with the studies conducted by Dula and Grego (2015) and Gabriel et al. (2021), which emphasized the limited impact of microfinance on business expansion.

Table 3. Extent of the Effectiveness of the Microfinance Institutions on the Economic Development of Their Members in Vintar, Ilocos Norte

FACTORS ON THE EFFECTIVENESS OF THE MICROFINANCE INSTITUTIONS	WEIGHTED MEAN	DESCRIPTIVE INTERPRETATION
A. Financial Status (n=603)		
1. Ability to pay.	4.95	Very great extent
2. Ability to save for the future.	4.95	Very great extent
3. More good status to achieve education.	4.82	Very great extent

4.	More good ways to achieve good health.	4.82	Very great extent
5.	Household assets have increased.	4.86	Very great extent
	Composite Mean	4.86	Very great extent
B. Personal Status (n=603)			
1.	Stronger faith in religion.	4.79	Very great extent
2.	Enough money for unfortunate events like natural calamity, accident and death.	4.76	Very great extent
3.	Volume and quality of daily meal.	4.74	Very great extent
4.	Joining in the community occasions.	4.74	Very great extent
5.	Cleanliness in the family (water and sanitation condition).	4.79	Very great extent
	Composite Mean	4.76	Very great extent
C. Business Status (n=205)			
1.	Weekly income of the business are increasing.	4.30	Great extent
2.	Increased in volume and kinds of products.	4.26	Great extent
3.	Knowledge in business financial aspect are being developed.	4.26	Great extent
4.	Progress in the practices in business management.	4.19	Great extent
5.	Capacity to compete in other business	4.15	Great extent
6.	Number of business customers has increased.	4.14	Great extent
7.	Had improvements in the business.	4.20	Great extent
8.	Expansion of business in different place.	3.63	Great extent
9.	Investment of tools for business are added.	4.05	Great extent
10.	Renovated structure of the business stall/ place.	4.08	Great extent
	Composite Mean	4.12	Great extent
OVERALL MEAN		4.58	Very great extent

Legend:

4.51-5.00	Very Satisfied
3.51-4.50	Satisfied
2.51-3.50	Somewhat Satisfied
1.51-2.50	Slightly Satisfied
1.00-1.50	Not Satisfied

Table 4 presents the computed Chi-square values for the tests of relationships between the socio-demographic profile of microfinance members and the extent of effectiveness of microfinance on their economic development. The socio-demographic factors examined include age, sex, marital status, type of family, employment, microfinance institution (MFI) membership, and number of years as a member.

The results revealed significant relationships between **age and economic development**, with members aged 41 to 50 experiencing the greatest impact on their financial and personal status, while those aged 61 to 70 reported the highest impact on their business status.

Sex also played a role, as female members indicated a greater extent of effectiveness on their financial and personal status compared to male members. Marital status was strongly related to economic development, with married members reporting a higher extent of effectiveness across financial, personal, and business dimensions.

The type of family had an impact, with members from extended families reporting greater effectiveness on financial and personal status. Employment status also influenced economic development, with self-employed members experiencing higher levels of effectiveness in all dimensions.

Different microfinance institutions showed variations in their effectiveness on economic development. CARD members reported higher effectiveness in financial and personal status, while ASA members had higher effectiveness in business status.

The number of years as a member of the microfinance institution was also significant. Members with longer durations of membership experienced greater effectiveness across financial, personal, and business dimensions.

Overall, these findings demonstrate the complex interplay between socio-demographic factors and the effectiveness of microfinance in improving the economic development of members.

Table 4. Relationships Between the Socio-demographic Profile of the Microfinance Members and the Extent of Effectiveness of the Microfinance in Their Economic Development

PROFILE	MFIs' EFFECTIVENESS ON MEMBERS' ECONOMIC DEVELOPMENT				
		df	X2	Sig 0.05	Interpretation
Age	Financial Status (n=603)	16	212.27	.000	Highly significant
	Personal Status (n=603)	16	325.92	.000	Highly significant
	Business status (n=205)	16	194.02	.000	Highly significant
Sex	Financial Status (n=603)	3	30.77	.000	Highly significant
	Personal Status (n=603)	8	17.40	.026	Significant
	Business status (n=205)	4	.595	.964	Not significant
Marital Status	Financial Status (n=603)	12	237.59	.000	Highly significant
	Personal Status (n=603)	16	201.08	.000	Highly significant
	Business status (n=205)	16	106.50	.000	Highly significant
Type of Family	Financial Status (n=603)	3	70.97	.000	Highly significant
	Personal Status (n=603)	4	82.09	.000	Highly significant
	Business status (n=205)	2	1.330	.514	Not significant
Employment	Financial Status (n=603)	6	152.21	.000	Highly significant
	Personal Status (n=603)	8	264.20	.000	Highly significant
	Business status (n=205)	10	378.95	.000	Highly significant
MFI	Financial Status (n=603)	6	86.64	.000	Highly significant
	Personal Status (n=603)	4	94.44	.000	Highly significant

	Business status (n=205)	4	139.44	.000	Highly significant
Years as a member	Financial Status (n=603)	12	394.60	.000	Highly significant
	Personal Status (n=603)	20	363.64	.000	Highly significant
	Business status (n=205)	16	188.64	.000	Highly significant

Table 5 explored the connection between members' satisfaction with microfinance institutions (MFIs) and their economic development in terms of financial status, personal status, and business status. The findings, presented in Table 5, demonstrate the following correlations:

Satisfaction with loan application and economic development: There was a significant positive relationship between members' satisfaction with loan application and their economic development in terms of financial status ($r=.455$), personal status ($r=.491$), and business status ($r=.142$). Higher satisfaction with loan application corresponded to improved economic development in these areas.

Satisfaction with loan features and economic development: There was a significant positive relationship between members' satisfaction with loan features and their economic development in terms of financial status ($r=.376$), personal status ($r=.440$), and business status ($r=.145$). Higher satisfaction with loan features correlated with improved economic development across these dimensions.

Satisfaction with customer services and economic development: There was a highly significant positive relationship between members' satisfaction with customer services and their economic development in terms of financial status ($r=.554$), personal status ($r=.626$), and business status ($r=.216$). Higher satisfaction with customer services corresponded to improved economic development in these areas.

Satisfaction with non-financial customer services and economic development: There was a highly significant positive relationship between members' satisfaction with non-financial customer services and their economic development in terms of financial status ($r=.382$) and personal status ($r=.456$). However, there was no significant relationship with business status ($r= -.014$).

These findings indicate that members' satisfaction with loan application, loan features, and customer services positively correlates with their economic development in terms of financial status, personal status, and, to some extent, business status. However, satisfaction with non-financial customer services does not significantly impact business status. The study suggests that enhancing the quality and accessibility of loan application processes, loan features, and customer services can contribute to members' economic development in various areas.

Table 5. Relationships Between the Members’ Level of Satisfaction on the Microfinance Institutions and the Effects of the Microfinance Institutions on their Economic Development

MEMBERS’ LEVEL OF SATISFACTION ON THE PRODUCTS AND SERVICES OFFERED BY THE MICROFINANCE INSTITUTION		MFIs’ EFFECTS ON THE ECONOMIC DEVELOPMENT OF THE MEMBERS		
		A n=603	B n=603	C n=205
Products Offered				
Loan Application	r	.455**	.491**	.142*

	Sig. 2-tailed	.000	.000	.044
Loan Features	r	.376**	.440**	.145*
	Sig. 2-tailed	.000	.000	.039
Services Offered				
Customer Services	r	.554**	.626**	.216**
	Sig. 2-tailed	.000	.000	.000
Non-financial Services	r	.382**	.456**	-.014
	Sig. 2-tailed	.000	.000	.515

*Significant at .05 level of significance (2-tailed)

**Significant at .01 level of significance (2-tailed)

CONCLUSION

This study explored the relationship between members' satisfaction with microfinance institutions (MFIs) and their economic development in terms of financial status, personal status, and business status. The findings indicate that higher levels of satisfaction with loan application, loan features, and customer services are associated with improved economic development in these areas.

Specifically, members' satisfaction with loan application and loan features positively correlated with their financial, personal, and business statuses. This suggests that a smoother and more accessible loan application process, as well as favorable loan features, contribute to members' economic well-being.

Moreover, members' satisfaction with customer services showed a strong positive relationship with their financial, personal, and to some extent, business statuses. This underscores the importance of providing quality customer service in enhancing members' economic development.

However, the study found that satisfaction with non-financial customer services did not significantly impact members' business status. While non-financial services may have a positive effect on financial and personal statuses, their influence on business development appears to be limited.

Overall, these findings emphasize the significance of members' satisfaction with various aspects of microfinance services in promoting their economic development. Improving loan application processes, loan features, and customer services can have a direct and positive impact on members' financial stability, personal well-being, and, to some extent, their business growth.

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