

The impact of microfinance to borrowers. business, personal and financial status and the mediating role of service satisfaction: evidence from the Philippines

Arneil Garcia Gabriel (✉ gabrielameil77@gmail.com)

Nueva Ecija University of Science and Technology <https://orcid.org/0000-0001-6220-8884>

Jeff B. Suyu

Nueva Ecija University of Science and Technology

Jennifer G. Fronda

Nueva Ecija University of Science and Technology

Vilma Ramos

Nueva Ecija University of Science and Technology

Research Article

Keywords: Microfinance, borrowers personal and financial status, service satisfaction, the Philippines

Posted Date: March 30th, 2021

DOI: <https://doi.org/10.21203/rs.3.rs-182720/v1>

License: © ⓘ This work is licensed under a Creative Commons Attribution 4.0 International License.

[Read Full License](#)

Abstract

The backbone of the economy of a developing country like the Philippines is its small and medium enterprises relying on soft loans provided by microfinance institutions. To assess the level of satisfaction of microfinance borrowers on the services of microfinance institution and their services as well as its impact to the business, personal and financial status are necessary for the continued operation of this industry. The objective of this study is to measure the customer level of satisfaction of the services of a microfinance institution in the Philippines and determine its impacts on the customers' small scale business. The study used a mixed of qualitative and quantitative research methods to gather data and analyze them. The study found that the micro finance institution is giving its borrowers quality services as manifested by a very satisfied rating to the four services provided. It was also described that the institution is positively bringing impact on its borrowers' business, personal & financial status as manifested by a high and very high impact on the two variables. The study finally revealed that the profile of the customers has significant relationship with the level of satisfaction and impact to business of its borrowers while some areas of services have to be revisited to prevent customer dissatisfaction as there are signs showing low level of satisfaction.

1. Introduction

Microfinance is a tool to help people emerged from poverty. It is widely known today as a means for assisting people to escape from poverty. Throughout the past couple of decades, microfinance gained a wide application across the world. It is regarded not only as an important tool in poverty alleviation, but also as an important instrument to empower and bring development to poor people. These are the people that do not have an access to conventional financial service providers. This instrument is perceived worldwide as a very effective weapon to combat poverty.

Microfinance helps people to improve their living condition. Aside from borrowing money, it also helps them by providing other services that results not limited to gaining productive assets, investment, building new businesses or expanding an existing one and advancing skills through trainings and education. It is for these reasons that microfinance has been widely recognized as an important means to alleviating poverty.

Quality of service as a tool to survive in competitive business world. The core objective of any financial institution is to maximize revenue and to do so; it is a must to have a big number of clients or borrowers that can remain with them for a long time. In a highly competitive market, competitive edge through quality services is undoubtedly essential for it to survive. By proactively tracing borrowers' satisfaction, microfinance institution can have access to vital information that will provide them better understanding of their areas of weaknesses and improve their existing practices.

In this study, the researcher presented empirical evidence as to the level of satisfaction of microfinance borrowers and how it impacts the business, personal and financial status of them. In the setting of the

speedy growth and progress of the microfinance industry, it is important to give people insights and to respond to the particular needs and challenges the management and practitioners of this particular industry face in determining how their products and services are doing.

1.1 Statement of the Problem

The study assessed the level of satisfaction of borrowers to loan services of microfinance institution and how their satisfaction affects the impacts of microfinance institution on their lives.

Specifically, it addressed the following questions:

1. How may the profile of the borrowers be described?
2. How may the borrowers' level of satisfaction to the loan services of microfinance be described in terms of:

2.1 loan application;

2.2 loan feature;

2.3 non-financial service; and

2.4 customer service?

3. How the microfinance impacts its borrowers in terms of:

3.1 business status; and

3.2 personal and financial status?

4. Is the profile of the microfinance borrowers significantly related with the impacts of microfinance?
5. Is the profile of the microfinance borrowers significantly related with their level of satisfaction to the loan services of microfinance institution?
6. Is there a significant relationship between the borrowers' level of satisfaction to the loan services of microfinance institution and the impacts of microfinance to its borrowers?
7. What recommendations can be made to improve the services of microfinance institution to its borrowers?

1.2. Theoretical Framework

This study adopts the expectancy disconfirmation theory. It can denote in this theory that there are two important variables in the measurement of satisfaction: a) expectations and b) outcomes.

This theory suggests that customers evaluate the performance of a service based on their expectations and the outcome performance. If the product or service met the borrower's expectation, then this will

result to positive disconfirmation. On the other hand, if the product or service falls short to attain the expectations, then this will result for the borrower to be dissatisfied or negative disconfirmation (Amaechi and Awara, 2014).

Expectations, perceived performance, disconfirmation and satisfaction comprises the four components of this paradigm. Pre-consumption expectations affect client's level of expectations while performance pertains to the client's perception of service. The third component which is disconfirmation happens when there is a discrepancy between client's expectations and product or service performance. Satisfaction can be ascertain by combining the satisfaction outcomes of the different aspects of the product or service (Mill,n.d.).

This study also adopted the theory of change. Theory of change in microfinance posits that an access to credit gives chance to borrowers to make their enterprise grow. Through their additional income, household's access to better health care, education, food, housing and leisure will increase (Jameel (2015). Figure 1 below shows the theory for microcredit adopted from their study.

The next figure presents the paradigm of the study. The input box contains the profile of the respondents and their perception to the services of microfinance. This follows by the process box that contains the methods to be used in processing the data. The output box of the system is decisions or policies to enhanced the delivery of microfinance services to the borrowers. Every part of the system has feedback that affects the function of the whole system.

2. Methodology

2.1 Research Design

The method of research utilized in this study was descriptive correlational. Survey through questionnaire was utilized in order to gather the pertinent data needed to accomplish the study. The data gathering instruments that the researcher used were adapted from the study of ASKI Group of Companies, Inc. (ASKI for brevity) during the year 2011 and 2012; however; some modifications were made on the instruments. Reliability test was employed using test-retest method and results yielded a good reliability. The instruments were consisted of the following parts: a) the respondents' profile b) the respondents' level of satisfaction and c) impact assessment of microfinance as to business, personal and financial status of the respondents. Table 1 shows the response given to the respondents and the interpretation of gathered data.

Table 1. Scoring guide used to interpret survey responses

	Satisfaction	Impact
Weighted Mean	Verbal Interpretation	
1.00 – 1.74	Very Dissatisfied	Very Low
1.75 – 2.49	Dissatisfied	Low
2.50 – 3.24	Satisfied	High
3.25 – 4.00	Very Satisfied	Very High

2.2 The Respondents and Study Local

Purposive sampling was used to select the 226 respondents of this study. The criteria for the respondents are a) must be a borrower of ASKI in the year 2017; b) an owner of a business enterprise; and c) must be willing to be interviewed and answer the survey questionnaires.

The Head Office of ASKI is located in Magsaysay District, Cabanatuan City, Nueva Ecija, Philippines. The participants of the study are borrowers of the Lourdes Branch in Cabanatuan City. Study of Kanyurhi (2013) have found out that microfinance clients receiving service from the central branch are less satisfied than those who receive services in the other branches.

Cabanatuan City is a first-class city located in Central Luzon. It is considered as a gateway to the Northern part of the Philippines as businessmen must pass through it before they can reach the Northern part of the country. In the year 2018, the City has the “largest number of lending institutions and banks in the Region” (Fronza, Gabriel & Loria, 2018). Because of the large number of lending institutions, banks and microfinance institutions in the locality triggers MFIs to increase their efforts in satisfying their clients. When there are more choices for the customers to choose from, businesses are improving their customer satisfaction through offering of higher-quality goods, better service and lowered prices in order to maintain market share (Mazzeo 2003 as cited by Simon & Gomez, 2005).

3. Results And Discussions

3.1 Socio-Demographic Data of the Respondents

The respondents of this study were 226 borrowers of ASKI. Most of them are female and within the age bracket of 36 to 43 years old. When it comes to educational attainment, large number of the respondents were high school graduate. Based on the gathered data, majority of them were married belonging to a household with 5 to 6 members. The data illustrates that majority of the participants are in the age of having a family, thus they are exerting efforts to have an income for their expenses like food, educational and health expenses, transportation and leisure.

Generally, age and gender have no direct influence on the attachment to local community and effectiveness of government, But these variables are factors positively correlated to the level of satisfaction of individuals (Brown and Coulter 1983; DeHoog, Lowery, and Lyons 1990; Duffy 2000; Lyons, Lowery, and DeHoog 1992; Office of the Deputy Prime Minister 2004). Below are the factors related to level of satisfaction of microfinance customers.

3.2 Level of Satisfaction

3.2.1 Loan Application

The overall weighted mean of 3.85 illustrates that participants were very satisfied to the loan application related aspects. The institution is deliberately making an effort in order to check the capacity to pay of the borrower. This is to ensure that the money they will lend to their borrowers can help them to improve their lives. *“A microfinance customer is over-indebted if he/she is continuously struggling to meet repayment deadlines and structurally has to make unduly high sacrifices related to his/her loan obligations”* (Schicks, 2010 as cited by Schicks, 2011). Over-indebtedness is considered as a big threat to customer protection in microfinance (Prathap & Khaitan, 2016). In the study of Roch and Poister 2006 2006; Van Ryzin 2004, 2006; the variable of expectation has direct influence on the level of satisfaction coupled with good services in the private sector but the same relationship has not been established in the public sector until recently when it became a subject of researches. The satisfaction of respondents to the handling of loan application of the institution has something to do with the customers' level of satisfaction.

Transparency is also putting premium as the result implies that forms are easy to understand as well as the interest rate and processing fee were both discussed before the acceptance of the loan (WM=3.96). The key focus of transparency is to communicate to clients the product information to help them in making an informed decision with regards to taking a loan. Its core component is pricing disclosure. This suggests that microfinance institutions should present interest rates, fees, commissions, insurance, savings and other factors incidental in taking a loan that affect its value in a clear and understandable manner (Barres, Connors, Rhyne, & Rozas, 2011). Further, the Philippine jurisdiction applies Republic Act (RA) 3765 or an Act requiring the disclosure of finance charges in connection with the extension of credit to customers-borrowers. This intensifies the motivation on the part of the lender to divulge all information related to the money lent. Table 2 presents the distribution of frequency based on loan application and their satisfaction, to wit;

Table 2. Level of satisfaction to loan application

Loan Application	WM	VD
1. Loans are easy to access.	3.79	Very Satisfied
2. Forms are easy to understand and fill out.	3.78	Very Satisfied
3. Documentary requirements are easy to complete.	3.77	Very Satisfied
4. The interest of the loan was discussed well before you accepted the loan.	3.86	Very Satisfied
5. The processing fee of the loan was discussed well before you accepted the loan.	3.96	Very Satisfied
6. Sufficient time was given to review the terms and conditions of the loan.	3.87	Very Satisfied
7. Capacity to pay was checked before they approved your loan.	3.90	Very Satisfied
8. Staff visited you to verify the information you have provided.	3.92	Very Satisfied
9. Fast processing to get the loan.	3.88	Very Satisfied
10. The location of the branch is accessible.	3.75	Very Satisfied
Overall Weighted Mean	3.85	Very Satisfied

3.2.2 Loan Feature

Loan feature is an important facet in the design of microfinance service. In the study of Schicks (2011) borrowers share that their repayment difficulties are due to product features concerning about high interest rates, small loan amount and short grace period. Moreover, borrowers state that loan disbursement is late, loan maturity is short, installments are too-frequent and unfair rescheduling options for borrowers with difficulties. Loan with a long-term maturity, grace period and increasing loan amount for each loan cycle can leverage the satisfaction of microfinance borrowers (Kanyurhi 2013).

Table 3 below shows that the overall weighted mean of 3.87 illustrates that participants were very satisfied to the loan feature aspect. This illustrates the concern of the institution to their borrowers while not sacrificing their financial position.

Table 3. Level of satisfaction to loan feature

Loan Feature	WM	VD
1. Time to pay the loan is compatible to my capability.	3.96	Very Satisfied
2. Allow repayment flexibility.	3.94	Very Satisfied
3. Reasonable penalties for non-payment/default.	3.60	Very Satisfied
4. Requirement to save regularly.	3.94	Very Satisfied
5. Ability to withdraw savings for emergency.	3.85	Very Satisfied
6. The institution has reasonable service fee.	3.77	Very Satisfied
7. The institution has reasonable interest rate.	3.79	Very Satisfied
8. Process of loan disbursement is smooth.	3.97	Very Satisfied
9. Institution can provide my financial need.	3.96	Very Satisfied
10. Payment method is reasonable.	3.88	Very Satisfied
Overall Weighted Mean	3.87	Very Satisfied

It can be observed on the data that the respondents really appreciated the smooth processing of loan disbursement (WM=3.96) which is reflected as the highest mean across the parameters. It highlights the efficiency of the company in providing quality services needed by the clients which is a major factor in the client's level of satisfaction (Chang et al, 2017).

Although all of the parameters show a Very Satisfied responses, it should be noted that the least weighted mean (WM=3.60) is directed on the company's provision of reasonable penalties for non-payment. It indicates that the customers still expect further adjustments or leniency of the company when it comes to penalties.

.3 Non-Financial Service

Non-financial services can help in strengthening the relationship and trust between MFIs and their clients thereby increasing the MFIs community development impacts (Le, 2017). The provision of loan alone cannot promote full opportunity to the borrowers. A loan lent to borrower needs a reinforcement of training or education to manage his/her business effectively and efficiently. Results of the study of Dikki, Muhammad and Dogarawa (2014) showed that training has a significant impact on income, asset acquisition and savings of borrowers.

Table 4. Level of satisfaction to non-financial service

Non	WM	VD
1. Gives advice about problems related to business during collection day.	3.61	Very Satisfied
2. Gives training about business to clients.	3.73	Very Satisfied
3. Gives community development project in different municipalities.	3.50	Very Satisfied
4. Gives Scholarship to people.	3.87	Very Satisfied
5. Launch Christian Enrichment Program.	3.54	Very Satisfied
6. Doing activities that care about environment.	3.51	Very Satisfied
7. Doing activities about health.	3.55	Very Satisfied
8. Educating about the importance of savings.	3.92	Very Satisfied
9. Linking the business to potential clients.	3.19	Satisfied
10. Educating about the importance of managing income and expenses.	3.94	Very Satisfied
Overall Weighted Mean	3.63	Very Satisfied

Various aspects such as education, spirituality, environment and health are being considered as variables that can contribute to development. Microfinance can empower its borrowers and their families stretching up to their community. However, institution's linking of their borrowers' business to potential clients is rated only satisfied. It showed that linking of micro businesses like *sarisari* store (small convenience store) to market is not strong considering the nature of their business. *Sarisari* store lacks appeal to big manufacturers or distributors because it lacks in inventory management system, transactions are of low volume, high competition, minimal margin and being an unregulated business especially the small ones (Leviste, 2008).

3.2.4 Customer Service

Recent customer satisfaction management has become a strategic imperative for most firms (cf. Anderson, Fornell, and Lehmann 1994; Coyne 1989; Oliver 1997; Rust, Zahorik, and Keiningham 1994) and is a primary concern to private firms extending their services to the clients to achieve a certain level of satisfaction. Table 5 shows that respondents rated the customer service as very satisfied with the weighted mean of 3.89. Microfinance employees and the borrowers have their constant interaction, especially to the field workers. Therefore, delivering quality customer service is of utmost importance. Through the course of the loan cycle, the importance of making no harm to borrowers is a must. In the study of Garg and Roy (2012), clients in the Philippines and India ranked fair and respectful treatment of clients as the most important in client protection principles. MFI employees' respectful behavior help organization to form good relationship with their clients. This will lead to increased satisfaction with the MFI. The level of satisfaction to customer service is presented below;

Table 5. Level of satisfaction to customer service

Satisfaction	WM	VD
1. Employees discussed well the information like the loan interest and others like the rights and responsibility of client.	3.70	Very Satisfied
2. The staff gives information about programs and services.	3.66	Very Satisfied
3. The way the employee collect amortization is acceptable.	3.98	Very Satisfied
4. The staffs are polite.	3.93	Very Satisfied
5. Manager/Supervisor visits clients to monitor and give updates.	3.93	Very Satisfied
6. Waiting time before someone assisted you at the Branch.	3.89	Very Satisfied
7. Not having difficulty to contact the employee.	3.89	Very Satisfied
8. Employee did not ask for bribe in return for the fast service.	4.00	Very Satisfied
9. Staff oriented you that you have the right to complaint and how to communicate it.	3.94	Very Satisfied
10. Institution is fast in resolving your complaint or problem.	3.94	Very Satisfied
Overall Weighted Mean	3.89	Very Satisfied

The data from the table indicates that the respondents are very satisfied of the customer service provided by the MFI and there is still room for further improvement. The staff should be more accommodating in providing information about the company's programs and services. This would be beneficial for the MFI as the clients might become interested and avail of the institution's other programs and services.

3.3 Impacts of Microfinance to Business, Personal and Financial Status

3.3.1 Business Status

Lack of finances, financial management skills, financial literacy and lack of market for products are the challenges that hamper the growth of enterprises (Kyale, 2013). One way to see the impact of microfinance to its borrowers is to look on its borrowers' microenterprise. This study found out that microfinance has a high impact on business with a weighted mean of 3.20. This can be seen in the rating

of very high impact being experienced by the borrowers in terms of their income, products, customers, business tools and business management skills. The impact of microfinance to business status is presented below.

Table 6. Impact of microfinance to business status

Business Status	WM	VD
1. Usual weekly income of business.	3.45	Very High
2. Volume and kinds of products.	3.54	Very High
3. Knowledge in business financial aspect.	3.58	Very High
4. Practices in business management.	3.42	Very High
5. Capacity to compete in other business.	2.92	High
6. Number of business customers.	3.32	Very High
7. Business became big.	3.35	Very High
8. Expansion of business in different place.	2.03	Low
9. Investment in tools for business.	3.28	Very High
10. Structure of business stall/place.	3.15	High
Overall Weighted Mean	3.20	High

Results show that microfinance impacts on business expansion is low. Moreover, competition and improvement in business stall or place did not receive a very high satisfaction. This is parallel to the study of Dumlao et.al. (2020) who studied the business challenges in Cabanatuan City. Their study found out that lack of resources and financial fund, competition, weather condition, accessibility and indebtedness are the challenges face by entrepreneurs in the City.

3.3.2 Personal and Financial Status

This study found out that microfinance has a very high impact in the personal and financial status of its borrowers. The finding is parallel to the study by Nguyen et. al. (2011) (as cited by Bui, 2014) which confirmed the positive impact of microfinance, with 89.8% of 971 households surveyed said their income has increased after borrowing. There was also a significant increase in their level of assets, spending and savings. As shown below, the customers experienced improving their personal and financial status uplifted as they avail of the micro financing. Most of the parameters indicating very high positive impact of microfinance. The impact of microfinance to personal and financial status

Table 7. Impact of microfinance to personal and financial status

Personal and Financial Status	WM	VD
1. Ability to pay debt.	3.59	Very High
2. Ability to save for the future.	3.75	Very High
3. Stronger faith in religion.	3.76	Very High
4. Enough money for unfortunate events like natural calamity, accident and death.	3.48	Very High
5. More good status to achieve education.	3.61	Very High
6. More good ways to achieve good health.	3.60	Very High
7. Volume and quality of daily meal.	3.53	Very High
8. Household assets number has increased.	3.61	Very High
9. Joining in the community occasions.	3.42	Very High
10. Cleanliness in the family (water and sanitation condition)	3.47	Very High
Overall Weighted Mean	3.58	Very High

3.4 Relationship between the borrowers' profile and impacts of microfinance to business, personal and financial Status

The study revealed that among the profile of the microfinance borrowers, only the sex (-.214) and educational attainment (-.152) have a significant negative weak correlation with the impact of microfinance in their business status. This indicates that male clients who have low level of formal education are most likely to perceive that microfinance has greater impact on their business status. This finding does not concur to the study of Owolabi (2015) that older, female, and more educated clients are more likely to experience increased ability to achieve successful business outcomes.

Table 8. Relationship between the Borrowers' Profile and impacts of Microfinance to Business, Personal and Financial Status

Profile	Business Status	Personal and Financial Status
Age	.099	.024
Sex	-.214**	-.098
Civil Status	.084	.064
Educational Attainment	-.152*	.056
Household Size	-.116	-.052

*. Correlation is significant at the 0.05 level (2-tailed).

***. Correlation is significant at the 0.01 level (2-tailed).

3.5 Relationship between the Borrowers' Profile and Level of Satisfaction to the Loan Services of Microfinance

It can be noted in Table 9 that educational attainment has significant weak negative correlation to the level of satisfaction to loan feature ($r=-.158$). Level of education of microfinance borrowers can affect their satisfaction to loan feature aspect of microfinance institution, as the level of education of the client increases, they become less satisfied to the loan feature offered by the MFI. Study of Ugiagbe (2014) also found that there is a little significance in the perception of respondents to the interest rate and their level of education. A common finding over the years is that individuals tend to be more satisfied with services that they have had direct experience of using compared to public services in general (Appleby and Alvarez-Rosete 203, Goodsell 1990); Therefore, the level of direct use of services is likely to be an important variable in the context of satisfaction and expectations.

Table 9. Relationship between the borrowers' profile and level of satisfaction to the loan services of microfinance institution

Profile	Loan Application	Loan Feature	Non-Financial Service	Customer Service
Age	.113	.116	-.008	-.005
Sex	-.068	-.072	-.156*	.137*
Civil Status	.103	.125	-.078	.074
Educational Attainment	-.027	-.158*	-.022	-.063
Household Size	.032	-.062	.062	.015

*. Correlation is significant at the 0.05 level (2-tailed).

***. Correlation is significant at the 0.01 level (2-tailed).

Sex has significant weak negative correlation to the level of satisfaction to non-financial service of microfinance ($r=-.156$). Since women are the usual borrowers of the microfinance institution and the usual manager of the household, they are more active to participate in the activities being launched by their microfinance provider. Through exposure to different non-financial services of the microfinance institution, they are more likely to experience the service of the MFI and are most likely to express lower level of satisfaction. It just shows that women have higher standards when it comes to non-finance service. Many MFIs target primarily, or exclusively, women. This is because of the belief that they invest loans in productive activities or in improving their family welfare (Bernard, Kevin and Khin, 2017).

Consequently, sex also has significant weak positive correlation to the level of satisfaction to customer service of microfinance ($r=.137$). It means that women clients are more likely to express higher level of satisfaction when it comes to customer service of microfinance, while men clients tend to express lower level of satisfaction. This might be attributed to the fact that there are more women customers transacting in the MFI and most of these women show satisfaction to the MFI's customer accommodation.

Clients, whether they are satisfied or not with the services they received from institution shares their experiences through word-of-mouth (Churchill, 2000 as cited by Kralikova, 2015). As the field employees have a constant communication with the borrowers, building a strong employee-customer relationship is significant both to men and women. This can result to a more effective client engagement that can result to positive feedback and renewal of their loan.

3.6 Microfinance Borrower's Level of Satisfaction: Its Impact to Business, Personal and Financial Status

Table 10. Relationship between the borrowers' level of satisfaction and impact of microfinance in the borrowers' business, personal and financial status

Satisfaction	Business Status	Personal and Financial Status
Loan Application	.223**	.300**
Loan Feature	.250**	.105
Non-Financial Service	.290**	.195**
Customer Service	-.018	.153*

*. Correlation is significant at the 0.05 level (2-tailed).

**.. Correlation is significant at the 0.01 level (2-tailed).

3.6.1 The Relationship of Satisfaction and Impact to Business Status

Loan application has significant weak positive correlation to the impact of microfinance in business status of microfinance borrowers ($r=.223$). This finding implies that the more the borrowers can access

fast the microfinance institution to borrow money for their business, the more the tendency that their business will grow. According to Todaro and Smith (2011) as cited by (Ahmad, Ean & Kasali, 2016), access to microcredit of microentrepreneur can allow them to secure and increase their capital and generate more income. In other words, the faster the borrowers avail of the services of the Microfinance institution, the faster the lent amount create growth in the business of clientele. Faster loan release also creates the corporate integrity of the firm. Positive feedback from loyal and satisfied customers further lowers the cost of attracting new customers and enhances the firm's overall reputation, whereas word of mouth from dissatisfied customers naturally creates opposite effect to the firm (Danaher and Rust 1996)

Loan feature has significant weak positive correlation to the impact of microfinance in business status of microfinance borrowers (.250). Results from the study of (Bwisa and Wanambisi, 2013) indicated that there is a *“strong positive significant relationship between the amount of loan and performance of MSE increase in income/sales”*. Also, micro savings found to have a positive relationship in the entrepreneurial success since it is useful to fund existing business or creating a new one (Newman et al. (2014 (Bernard, Kevin and Khin, 2017).

Non-financial service has significant weak positive correlation to the impact of microfinance in business status of microfinance borrowers (290). Non-financial services include financial education, business-related trainings like business development training and socially-orientated services like health, education and environmental programs. These are ways of the institutions to increase the profits and resiliency to shocks of their clients (Goubert, n.d.)

3.6.2 The Relation of Satisfaction and Impact to Personal and Financial Status

Loan application has significant weak positive correlation to the impact of microfinance in personal and financial status of microfinance borrowers (.300). It is integral during the loan application that the interest rate, processing fees and capacity to pay were checked and discussed well to the borrowers. Microfinance clients are vulnerable because of the socio-economic backgrounds. It is the responsibility of the institutions to protect them through to become transparent and properly communicate with their client (Veena, 2010).

Non-financial service has significant weak positive relationship to impact of microfinance in personal and financial status of microfinance borrowers ($r=.195$). Financial literacy trainings provided by microfinance institutions have benefits both in clients and the institution. It can help improved the repayment rate and savings of clients thereby improving also their financial status and goals (Crookston et al., 2011).

Customer service has likewise significant weak positive correlation to impact of microfinance in personal and financial status of microfinance borrowers (.153). Customer satisfaction is being affected by service quality (Musoke, Kakundwa and Nyonyintono, 2016). Through proper orientation, updates and communication with the microfinance employees, microfinance borrowers and their household can receive better and positive impacts.

4. Conclusion And Recommendation

In view of the findings of the study, the following conclusions are drawn:

- a. The institution is giving its borrowers a quality service as manifested by a very satisfied rating of its borrowers to loan application, loan feature, nonfinancial service and customer service.
- b. The institution is positively bringing impact on its borrowers' business and personal & financial status as manifested by a high and very high impact on two status respectively.
- c. Interactions were observed between sex and educational attainment relative to the impact of microfinance to participants' business status and no interaction was observed between their profile relative to the impact of microfinance to their personal and financial status.
- d. Participants profile are having no significant relationships in terms of their level of satisfaction to loan application; an interaction was observed in their educational attainment relative to their level of satisfaction to loan feature; and interactions were observed in their sex relative to their level of satisfaction to non-financial service and customer service.
- e. Interaction was observed between level of satisfaction to loan application, loan feature and nonfinancial service relative to impact of microfinance to borrower's business status.
- f. Interaction was observed between level of satisfaction to loan application, non-financial service and customer service relative to impact of microfinance to borrower's personal and financial status.

The following recommendations are proposed:

1. Marketing of loan products to both men and women should be strengthened. This can deliver gender balance in the microfinance institution.
2. Microfinance institution's area scanning of where to put the branches should be taken care of
3. Adjustment of loan size tailored-fit to capacity to pay of borrowers.
4. Market linkages of borrowers' business should be strengthened.
5. Job applicants should be screen well.
6. Launching of not yet existing business-related trainings campaign for savings mobilizations among its borrowers.
7. Efforts should be made to make the borrowers satisfy especially to those items who signaled as having low satisfaction.
8. Conduct of impact assessment survey regularly by the microfinance institution to monitor their borrowers' progress.
9. Revisit of the appropriateness of their existing products and services.

List Of Abbreviations

ASKI Inc. - refers to Alalay Sa Kaunlaran sa Gitnang Luzon Group of Companies, Inc.

MFI-Micro Finance Institution

Sari- Sari store- A community based small scale convenient store selling variety of goods to the community residents

Declarations

Ethics approval and consent to participate

The approval of the data gathering was taken from individual respondents of the MFI

Consent for publication

Approval is taken from the Author who is a member of the team commissioned to do the survey.

Availability of data and materials

Not applicable.

Competing interests

No conflicting interests are involved in the paper and among the authors.

Funding

No funding for publication is received by the author/s.

Authors' contributions

The main author Mr. Jeff Suyu did the conceptualization. The other authors did the data gathering and the analysis of data gathered. The author Mr. Arneil Gabriel did the submission and revision to publishable article of the study.

Acknowledgements

To Ms. Olive Chester Antonio for the statistical advises.

Authors' information

Jeff Suyu is a instructor in the College of Public Administration and Disaster Management in Nueva Ecija University of Science and Technology in the Philippines.

Arneil G. Gabriel is a professor of Public Administration in the Graduate School at the same time the OIC Dean of the College of Public Administration and Disaster Management of the same University. He is a member of National Research Council of the Philippines. The research arm of the Philippine government.

Ms Vilma B. Ramos is a faculty of College of Public Administration and Disaster Management

Ms. Jennifer G. Fronda is a faculty of the College of Management and Business Technology of the same university.

References

Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action (2015). Where Credit is Due. Policy Bulletin February 2015.

Ahmad, S., Ean, L. and Kasali, T. (2016). Determinants of Microcredit Access: Empirical Analysis from South-West Nigeria. *Journal of Economic Cooperation and Development*.

Amaechi, A. and Awara, N. (2014). The Relationship Between Customer Satisfaction and Loyalty: A Study of Selected Eateries in Calabar, Cross River State. *Interdisciplinary Journal of Contemporary Research in Business*.

Anderson, Claes Fornell, and Donald R. Lehmann (1994), "Customer Satisfaction, Market Share and Profitability: Findings from Sweden," *Journal of Marketing*, 58 (July), 53-66

Appleby, J., and A. Alvarez-Rosete. 2003. The National Health Service: Keeping up with public expectations? In *British social attitudes the twentieth report: Continuity and change over two decades*, ed. A. Park, J. Curtice, K. Thomson, L. Jarvis, and C. Bromley. London: Sage

ASKI Research and Development Department (2011). Impact Assessment Survey: Evaluating Programs and Services on Clients Progress. Market Research.

ASKI Research and Development Department (2012). Client Satisfaction: Analyzing Financial and Non-Financial Services. Market Research.

Barres, I., Connors, C., Rhyne, E., and Rozas, D. (2011). Implementing client Protection in Microfinance. The state of Practice, 2011. Center for Financial Inclusion Publication No. 14, The Smart Campaign.

Bernard, D., Teng, K. and Khin, A. (2017) Influence of microfinance services on entrepreneurial success of women in Sri Lanka. *African Journal of Business Management*.

Brown, K., and C. Coulter. 1983. Subjective and objective measures of public service delivery. *Public Administration Review* 43:50–8.

Bui, L. (2014). Microfinance and Poverty Alleviation: Does Credit Access Contribute to reduce household poverty in Vietnam? Faculty of the Graduate School of Arts and Sciences, Georgetown University.

Bwisa, H. and Wanambisi, A. (2013). Effects of Microfinance Lending on Business Performance: A Survey of Micro and Small Enterprises in Kitale Municipality, Kenya. *International Journal of Academic Research*

in Business and Social Sciences

Chang, M., Jang, H. B., Li, Y. M., & Kim, D. (2017). The relationship between the efficiency, service quality and customer satisfaction for state-owned commercial banks in China. *Sustainability*, 9(12), 2163.

Coyne, Kevin (1989), "Beyond Service Fads—Meaningful Strategies for the Real World," *Sloan Management Review*, 30 (Summer), 69-76.

Crookston, B., Gray, B., Gash, M. and Reeves, S. (2011). *Microfinance: A sustainable platform for non-financial services*. Nova Science Publishers, Inc.

Danaher, and Roland T. Rust (1996), "Indirect Financial Benefits from Service Quality," *Quality Management Journal*, 2, 63-75.

DeHoog, R. H., D. Lowery, and W. E. Lyons. 1990. Citizen satisfaction with local governance: A test of individual, jurisdictional, and city-specific explanations. *Journal of Politics* 2:807–37.

Dikki, A., Muhammad, B., and Dogawara, A. (2014). Impact of Non-Financial Services of Microfinance Banks (MFBs) on the Performance of Women Entrepreneurs in Nigeria. *European Journal of Business and Management*.

Duffy, B. 2000. Satisfaction and expectations: Attitudes to public services in deprived areas. CASE Paper 45, Centre for the Analysis of Social Exclusion (CASE), London.

Dumlao, M., Maniquiz, Q., Catubag, C., Tolentino, A. and Fronda, J. (2020). Challenges encountered by women Entrepreneurs in managing Food Businesses. *International Journal of Advanced Engineering, Management and Science*.

Fronza, J., Gabriel, A. and Loria, S. (2018). The Philippines at the Crossroads to Economic Globalization. *Open Journal of Social Sciences*

Garg, A. and Roy, A. (2012). Clients' Protection- Lessons for the Microfinance Sector. *MicroSave Briefing Note #127*.

Gomez, M. and Simon, D. (2005). *The Competitive Causes and Consequences of Customer Satisfaction*. Department of Applied Economics and Management, Cornell University.

Goubert, A. (n.d.). Why and how should Microfinance Institutions provide non-financial services? *Microfinanza srl*.

Goodsell, C. 1990. *The case for bureaucracy: A public administration polemic*. Chatham, NJ: Chatham House.

Kanyurhi, E. (2013). Evaluation of customer satisfaction with services of a micro-finance institution: Empirical evidence from Women Association for Social and Economic Gain customers' in Togo. *African*

Journal of Marketing Management.

Kralikova, S. (2015). Determining satisfaction of youth microfinance clients: results from a primary data collection in Mongolia. University of Zurich, Department of Banking and Center for Microfinance.

Kyale, M. (2013). Impact of Microfinance Institutions on Growth and Development of Small and Medium Enterprises; A Survey of Machakos Town. University of Nairobi.

Le, C. (2017). Microfinance: the impacts of a poverty reduction approach and financial system approach on poor rural households in Vietnam. Portland State University.

Leviste, E. (2008). Upscale Research on Mini-Variety (Sari-Sari) Store Project. CARD, Inc.

Lyons, W. E., D. Lowery, and R. H. DeHoog. 1992. The politics of dissatisfaction: Citizens, services and urban institutions. London: ME Sharpe.

Mill, R. (n.d.). A Comprehensive Model Of Customer Satisfaction In Hospitality And Tourism: Strategic Implications For Management. International Business & Economics Research Journal

Musoke, H., Nyonyintono, R. and Kakundwa, N. (2016). Evaluating the relationship between service quality and customer satisfaction in microfinance institutions in Wakiso District, Uganda. European Centre for Research Training and Development UK.

Office of the Deputy Prime Minister. 2004. Best value user satisfaction surveys 2003/04: General survey initial topline report. London: Office of the Deputy Prime Minister.

Oliver, Richard L. (1997), Satisfaction: A Behavioral Perspective on the Consumer. New York: McGraw-Hill.

Owolabi, O. (2015). Microfinance and Poverty reduction in Nigeria: A case study of LAPO Microfinance Bank. Leeds University Business School, The University of Leeds.

Prathap, V. and Khaitan, R. (2016). When Is Microcredit Unsuitable? Guidelines using primary evidence from low-income households in India. Dvara Research.

Roch, C. H., and T. H. Poister. 2006. Citizens, accountability, and service satisfaction. Urban Affairs Review 41:292–308.

Rust, Roland T., Anthony J. Zahorik, and Timothy L. Keiningham (1994), Return on Quality: Measuring the Financial Impact of Your Company's Quest for Quality. Chicago: Probus.

Schicks, J. (2011) The Over-Indebtedness of Microfinance borrowers in Ghana - An Empirical Study from a Customer Protection Perspective. Centre for European Research in Microfinance, Solvay Brussels School of Economics and Management and Université Libre de Bruxelles.

Ugiagbe, E. (2014). A Survey of the Perception of the Services of Micro Finance Institutions by the Female Service Users in Benin City, South-South, Nigeria. *International Journal of Finance & Banking Studies*.

Van Ryzin, G. G. 2004. Expectations, performance, and citizen satisfaction with urban services. *Journal of Policy Analysis and Management* 23:433–48.

———. 2006. Testing the expectancy disconfirmation model of citizen satisfaction with local government. *Journal of Public Administration Research and Theory* 16:599–611.

Van Ryzin G. G., D. Muzzio, S. Immerwahr, L. Gulick, and E. Martinez. 2004. Drivers and consequences of citizen satisfaction: An application of the American Customer Satisfaction Index Model to New York City. *Public Administration Review* 64:321–41

Veena, Yamini A. (2010). *Microsave Briefing Note #91 The Overlap between Customer Service and Social Performance Management*.

Figures

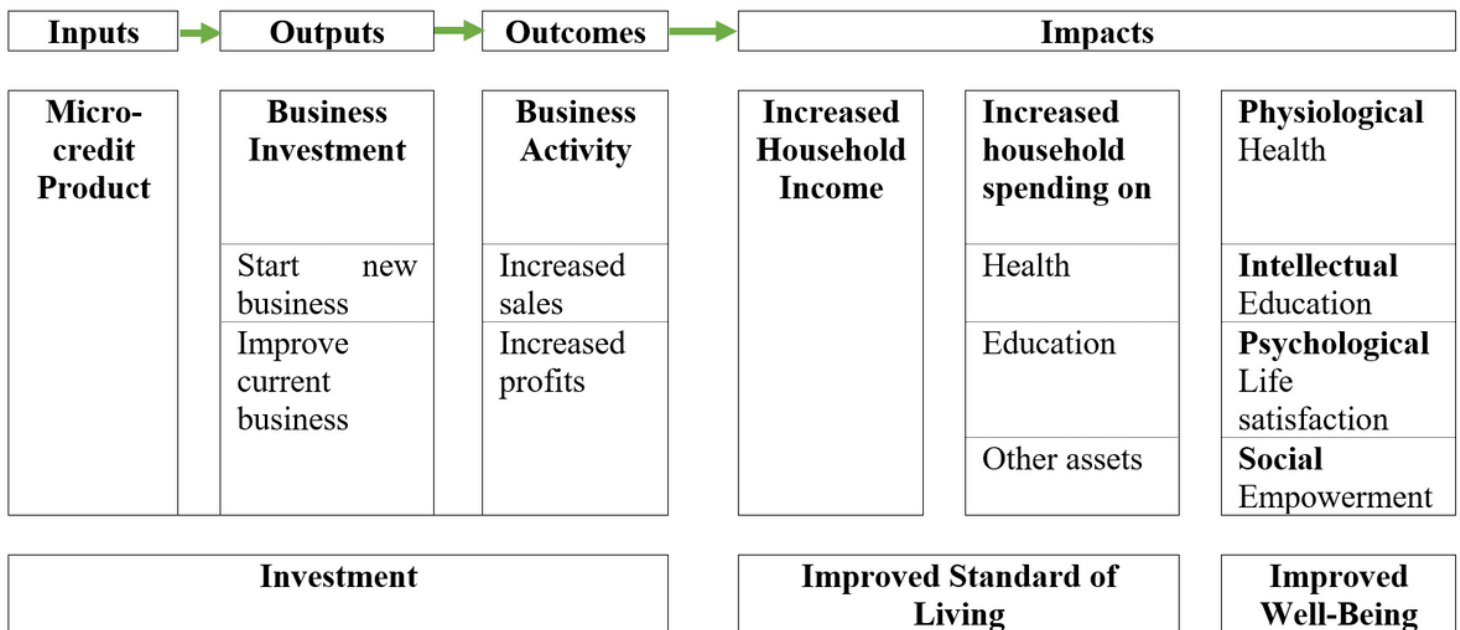


Figure 1

A theory of change for microcredit

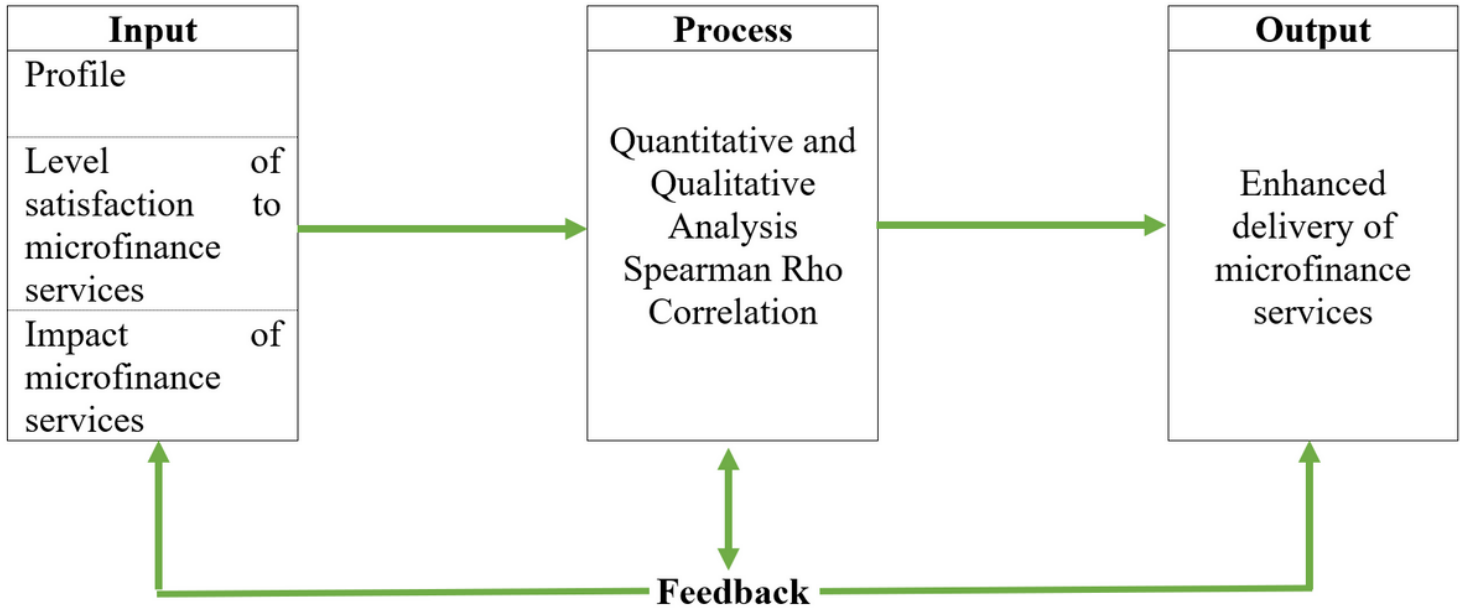


Figure 2

Research and Paradigm