



# ENTREPRENEURIAL ENGAGEMENT OF MICROFINANCE BORROWERS IN BORONGAN CITY AND IT'S IMPACT ON THEIR ECONOMIC CONDITIONS

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## ABSTRACT

DOI No: 10.36713/epra8407

Article DOI URL: <https://doi.org/10.36713/epra8407>

*This study aimed to document the profile of the respondents in terms of number of years of membership in micro financing, number of availed loans and maximum amount of loan received. It also aimed to find out the entrepreneurship engagement of micro finance borrowers, to describe the contribution of microfinance to the economic conditions of the microfinance borrowers and to determine the problems commonly encountered by the microfinance borrowers in their entrepreneurial venture.*

*It was revealed that microfinance provided livelihood to micro borrowers through micro loans that made them earn an income higher than what they are earning before. Doing business have problems, however borrowers still profit from their entrepreneurial engagement specifically merchandising or buying and selling which has fast return on investment. Thus, they were able to successively avail larger amount of loans and stay for more years as client of MFIs. This implies that microfinance borrowers are creditworthy and responsible individuals. Moreover, it could be implied also that MFIs are committed to help their clients be uplifted from poverty. Conduct of trainings through the extension program of the College of Business Management and Accountancy and partnership with Microfinance Institutions is recommended to improve their income and overall living standards.*

**KEY WORDS:** *microfinance, borrowers, entrepreneurship, entrepreneurial venture*

## I. INTRODUCTION

Since the beginning of this world, survival has been a way of life of the living. People have even created economics which is considered as art and science that studies on proper allocation and efficient use of scarce resources to satisfy human wants and

needs, a major field of study in order to tap the unending economic problems of this world.

Throughout the history, many economists have emerged because of their ideas which contributed solution of the economic problems/s of their time. To name some: Adam Smith-advocate of free market system, Karl Marx, a socialist

economist who is known for his idea of “equality”, John Maynard Keynes who emerged during the “Great Depression”, and recently Muhammad Yunus who introduced the widely known and much celebrated “Micro Finance”.

Micro finance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Moreover, it also includes insurance, transactional services, and savings.

As a program, microfinance is applied almost everywhere in the world. This was even recognized by United Nations Organization (UNO) as an effective instrument in fighting hunger and poverty, especially in developing countries. Many governments, donors, and Non-Government Organizations all over the world have helped one another just to support UNO’s aim of eradicating poverty, through the use of micro finance.

The benefits of small credits to entrepreneurs and farmers are of big help as a way of getting people out of poverty. Thus, the existence of lending banks to support farmers and those members of the community who are not employed but are interested to start their own business.

Apparently, it is believed that micro financing has improved the living standards of poor people as evidenced by some of the research findings. It was concluded by some researchers that there is a noticeable and positive impact of microfinance activities on the living standards, empowerment and poverty alleviation among poor people in the society.

In Borongan, the status of micro finance was studied by Tolete et al. (2007). The study covered three MFIs namely: Taytay sa Kauswagan, Inc. (TSKI), Negros Women for Tomorrow Foundation, Inc. (Project Dunganon) and Center for Agricultural and Rural Development (CARD), Inc. It was found out that these MFIs offer financial services like loans, savings, and insurances to their clients. Further, it was found out that 100% of their clients are women.

In 2011 a research conducted by Balallo et al. on economic contribution of MFIs in Borongan revealed that MFIs had created livelihood and employment of the municipality. TSKI generated the highest number of livelihood and employment followed by CARD. Further, in terms of client served for the last five years, TSKI has the largest number of clients’ served.

With this revealing result, the researchers will try to find out the entrepreneurial engagements of microfinance borrowers in Borongan, City and its impact on their economic conditions. This is to figure out whether microfinance have helped these borrowers in starting their own business. It will also serve as a

proof of its real effect to the lives of its borrowers in the locality.

## II.OBJECTIVES

1. To document the profile of the respondents in terms of:
  - 1.1 Number of Years of Membership in Micro Financing
  - 1.2 Number of Aailed Loans
  - 1.3 Maximum Amount of Loan Received
2. To find out the entrepreneurship engagement of micro finance borrowers.
3. To describe the contribution of microfinance to the economic conditions of the microfinance borrowers.
4. To determine the problems commonly encountered by the microfinance borrowers in their entrepreneurial venture.

## III. METHODOLOGY

This study follows the descriptive method of conducting research. It was conducted in all barangays of the city of Borongan with microfinance borrowers. Borongan City is the Capital of the Eastern Samar Province where Micro Financial Institutions can be found. The microfinance borrowers who engage in business activities in Borongan, City, Eastern Samar served as respondents. Purposive sampling was utilized in this study.

The researchers identified the Micro financing Institutions operating in the City of Borongan through the list provided by the Micro financing Council of the Philippines, Inc. (MCPI). Then, a letter of request was sent to these local MFIs to ask the needed data of the research. A survey questionnaire formulated by the researchers was utilized in gathering the pertinent data. The questionnaire was divided into three parts. The first part provide the respondents business profile in relation to microfinancing. The second part was about the contributions of microfinancing to borrowers economic condition in terms of income. The handling of survey questionnaires was conducted personally by the researchers. Survey questionnaire were distributed in the different barangays of Borongan City.

The data collected was analyzed and interpreted using the following statistical tools: To identify the entrepreneurship engagement of the microfinance borrowers and to describe the contribution of microfinance to their economic condition, it was treated using frequency counts and percentage, mean, minimum and maximum. To determine the problems commonly encountered by the microfinance borrowers in their entrepreneurial venture, frequency count and ranking method was used. Descriptive statistics like frequency counts,

percentages, mean and ranking method were the appropriate tools considered in presenting the data for this study.

**IV. RESULTS AND DISCUSSION**

**Profile of the Respondents**

Table 1a shows that the minimum number of years of membership of the respondents is two (2) years, while the maximum is eight (8) years. The minimum number of availed loans is three (3) while the

maximum is twelve (12). The mean/average number of years of membership is 3.48 or 4 years and the mean/average number of availed loans is 5.64 or six (6).

This finding indicates that the borrowers are creditworthy and are engaging in their entrepreneurial venture for more years already. Length of membership is important since according to Cohen and Burjorjee (2013) positive impact can be achieved through permanent access to services.

**Table 1a. Profile of the Respondents in terms of Number Years of Membership and Number of Availed Loans**

Profile of the Respondents	Minimum	Maximum	Mean
Number of Years of Membership	2	8	3.48
Number of Availed loans	3	12	5.64

Table 1b illustrates that majority of the respondents availed below 50 thousand maximum amount of loan which totaled to ninety seven (97) or ninety seven percent (97%). One (1) or one percent (1%) received more than 50-100 thousand, and the remaining two (2) or two percent (2%) availed more than 100-150 thousand. This means that micro finance

institutions are lending on micro basis but enough for its borrowers to engage and start a business.

This result supports to the findings in the study of Khan and Rahaman 2007 that MFIs emphasizes microcredit. This is because too big loan sizes causes repayment problems (Hietalahti and Linden, 2006).

**Table 1b. Profile of the Respondents in terms of Maximum Amount of Loan Received**

Maximum Amount Loan Received	Frequency	Percent
Below 50 thousand	97	97%
More than 50-100 thousand	1	1%
More than 100 – 150 thousand	2	2%

**Entrepreneurship Engagement of Micro Finance Borrowers**

Table 2 shows the entrepreneurship engagement of microfinance borrowers. It reveals that majority or fifty four percent (54%) used their first loan to expand their existing business. Forty six (46) or forty six percent (46%) used their first loan to put up a business. Seventy five percent (75%) of these were done from April 2010 to December 2015 while twenty five percent (25%) were done on January 2016 to January 2018.

Majority or fifty nine (59) or fifty nine percent (59%) of them are engaged in merchandising/buy and selling. Thirty seven (37) or thirty seven percent (37%) are engaged in agri-business while the remaining four (4) or four percent (4%) are engage in manufacturing.

With regards to the question if they are still in the same business which they have opened out of their first loan, ninety four (94) or ninety four percent (94%)

responded “yes” and six (6) or six percent (6%) answered “no”. From these six (6) or six percent (6%) who changed their business, four (4) of them shifted to merchandising, one (1) shifted to agri-business and one (1) shifted to manufacturing.

This outcome indicates that micro borrowers are business minded. Further, it means that they have used their borrowed funds to create a livelihood. Also, it can be inferred that the most profitable business for them is merchandising/buy and selling as evidenced by the consistency of opened business and shift of those who have changed their business.

This finding is in agreement with the findings of the study of Aurora and Meenu (2010) that various business activities were created by micro borrowers through micro financing. Also, this concurs to the findings of Kondo et al. (2008) that majority of clients have their own enterprises.

**Table 2. Entrepreneurship Engagement of Micro Finance Borrowers**

<b>Entrepreneurship Engagement of Microfinance Borrowers</b>	<b>Frequency</b>	<b>Percent</b>
<b>How first loan availed from MFIs was used</b>		
To put up a business	46	46%
To expand an existing business	54	54%
<b>Total</b>	100	100%
<b>Kind of Business Engagement</b>		
Agri-Business	37	37%
Merchandising/Buy and Selling	59	59%
Manufacturing/Food Processing	4	4%
<b>Total</b>	100	100%
<b>Question if they are still engaged in the same business which they have opened out of their first loan</b>		
Yes	94	94%
No	6	6%
<b>Total</b>	100	100%
<b>Kind of business engagement of those who have changed their business</b>		
Agri-Business	1	12%
Merchandising/Buy and Selling	4	66%
Manufacturing/Food Processing	1	12%
<b>Total</b>	6	100%

### **Contribution of Microfinance to the Economic Conditions of Micro Borrowers**

Table 3 presents the economic contribution of microfinance to the economic conditions of micro borrowers. It tells that the respondents were able to put up or expand their business through their borrowed funds. The amount used ranges from fifteen thousand (15,000) to one hundred twenty thousand (120,000) with a mean/average of forty one thousand four hundred fifty (41,450).

Micro borrowers also recorded an increase of income after availing a loan from MFIs. The increase after the first month amounted an average of three hundred thirty four (334) and four hundred twenty (420) in the second month. Their mean income before availing a loan from MFIs was six thousand eight hundred twenty (6,820) but it increased to seven thousand four hundred eighty seven after the first

month of availing loan. It increased further to eight thousand three hundred twenty eight (8,328) after the second month. It can be figured out that there is an upward trend in the monthly income of borrowers after membership in micro finance.

This result points out that micro financing provided an opportunity to the borrowers to open a business or expand their current business. Likewise it give them a chance to improve or increase their incomes.

This outcome coincides to the findings of Casselman (2014) that minimum wage workers have other sources of income through engaging in business activities. Also, the findings of Olah et al. (2017) that women today can be considered as breadwinners since they earn income by engaging in entrepreneurial venture concurs to this study.

**Table 3. Contribution of Microfinance to the Economic Conditions of Microfinance Borrowers**

Contribution of Microfinance to the Economic Conditions of Microfinance Borrowers	Mean	Minimum	Maximum
Amount of loan that was used to put up or expand business	41,450	15,000	120,000
Income before availing a loan from MFIs	6,820	5,000	9,000
First month income after availing a loan from MFIs	7,487	5,500	9,500
Second month income after availing a loan from MFIs	8,328	6,000	11,000
Increase/Difference of income after one month	334	100	750
Increase/Difference of income after the second month	420	150	900

**Problems Commonly Encountered by Microfinance Borrowers**

Table 4 shows the problems commonly encountered by microfinance borrowers in their entrepreneurial venture. The number 1 problem they have encountered was “insufficient amount of loan granted to start up a business”. Second was “no incentives granted by MFIs for loyalty as manifested by number of years of stay as client”. The third problem was “no training conducted by microfinancer/s to improve business skills”. The last problem was “the business created is not profitable”.

This findings points out that doing business is not easy for the borrowers. There are problems that

arises and need to be solved. First, amount of loan granted was perceived not enough to start a business. However, it should not be misled that MFIs are operating micro in nature and giving only micro loans. Second, incentives are motivating factor to the clients. Third, clients will be more confident in doing business if they went through trainings to improve further their skills. The last problem is least serious as shown by the ninety four percent (94%) consistency of clients’ business.

This result support to the findings of Chirkos (2014) that amount of loan provided by Amhara Credit Saving Institution (ACSI) were not enough to fulfill their purpose as complained by clients.

**Table 4. Problems Commonly Encountered by the Microfinance Borrowers**

Problems Commonly Encountered	Frequency	Rank
1. No incentives granted by MFIs for loyalty as manifested by number of years of stay as client	20	2
2. The business created is not profitable	8	8
3. High interest rate of loan	9	5.5
4. Insufficient amount of loan granted to start-up a Business	22	1
5. Loan payment period is too short	9	5.5
6. Weekly payment period is not tenable	7	7
7. No training or insufficient training conducted by Microfinancer/s to improve business skills	14	3
8. MFIs are not generous in giving sufficient time to pay past due accounts	12	4

**CONCLUSION**

Based on the findings, the following conclusions and implications were drawn in this study.

Microfinance provided a livelihood to micro borrowers through micro loans that made them earn an income higher than what they are earning before. Doing business have problems, however borrowers still profit from their entrepreneurial engagement specifically merchandising/buying and selling which has fast return on investment. Thus, they were able to

successively avail larger amount of loans and stay for more years as client of MFIs. This implies that microfinance borrowers are creditworthy and responsible individuals. Moreover, it could be implied also that MFIs are committed to help their clients be uplifted from poverty.

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