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REVIEW ARTICLE

MICROFINANCE SERVICES AND INCOME ALLOCATION OF RETAIL ENTREPRENEURS IN SAN PABLO CITY, LAGUNA PHILIPPINES

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ABSTRACT

Efficient allocation of resources is a challenge for entrepreneurs. Income generated by entrepreneurs are used to finance both business and personal needs. At times, these needs exceed income generated and entrepreneurs seek financial assistance from microfinancing institutions. This paper looks at the significant influence of microfinance services extended to retail entrepreneurs of San Pablo City, Laguna and the extent retail entrepreneurs improve income generation from business operations. From the responses of the 100 selected entrepreneurs, answers for the following were drawn: (1) microfinance services offered to and availed by retail entrepreneurs; and (2) how income or operations have been improved. Correlation analysis revealed that microfinance services have significant influence on income generation. Furthermore, it is imperative that an active educational campaign on proper income management should be implemented in the locality.

KEYWORDS

Microfinance, income allocation, retail entrepreneurship, lending institutions.

1. INTRODUCTION

In the course of business activities, while it is assumed there is proper management and economical, efficient, and effective operations, the business organization can grow and prosper-without it the organization perishes [1]. Having efficient management means having sufficient funds that can sustain the cost of business operations. Entrepreneur's income generation must be focused on continuous cash conversion and proper allocation. Otherwise, the company needs to look for alternatives of other resources in aim of satisfying both personal and business necessities. Efficient allocation of resources like business income is challenging to entrepreneurs. Funds generated, from regular business activities and other investments, serve as the fuel of day-to-day business and household expenditures. The most basic concept in accounting is the entity concept where business organization stands apart from other organizations and individuals as a separate economic unit [2]. Strategic techniques in intelligently planning on how to spend these resources should be employed aside from further development of self-discipline in money management.

Growing demand of retail entrepreneurs of immediate financial assistance paved the way of lending institutions' growth as well [3]. Formal and informal lending institutions like commercial and rural banks, private individuals, and microfinance institutions have active participation in entrepreneurs' lives. Wide range of loan facility are being offered to retail entrepreneurs [4]. With reasonable interest rates and flexible payment terms and schedules, entrepreneurs tend to avail of their services with the hope that these may aid them in their financial journey. Researchers aimed to identify the significant influence of microfinance services offered and availed by retail entrepreneurs in San Pablo City and how income operations have been improved with these services [5]. The study gives a backgrounder on different microfinance services present in the locality and how income allocation works for these retail entrepreneurs.

As such, this will aid in the development of comprehensive programs educating them to be better entrepreneurs. While the study reveals some of the grey areas in the income management, the formulation of intervention programs are necessary outputs.

2. METHODOLOGY

This study was developed using the descriptive research method. From a sample size of one hundred public market retailers/entrepreneurs in San Pablo City Laguna, the researchers used systematic random sampling with self-made questionnaires and interviews provided to the respondents [6]. Respondents were approached personally and requested to answer the survey questionnaires. Statistical computations were used in analyzing the relationships of factors presented. The following tables present the demographic profile of the entrepreneur-respondents.

Majority of the entrepreneur-respondents' age are within the range 41 – 50 at 34%. Most of them are female (72%), married (61%), and are high school graduates (41%). These demographic profiles present an assumption that due to insufficient formal education and different concerns in raising own family, income allocation becomes more challenging to retail entrepreneurs. And most of the time tend to rely on immediate financial assistance of different lending institutions.

3. RESULTS AND DISCUSSION

Many of the entrepreneur-respondents availed micro insurance services offered with a mean of 3.96. Availing different types of loan with a mean of 3.54 ranked second. Attending seminars, trainings, and several exposure trips and programs has the lowest mean of 2.90. The results is due to entrepreneurs' immediate need of loan assistance for business operations and belief that their time should be focused in the day-to-day management of their business [7]. Time for business is being prioritized over MFIs efforts in bringing awareness that their services do not focus solely on loan assistance to entrepreneurs.

Income being generated by entrepreneurs from their business operations are allocated to loan obligations which yields the highest mean of 3.84. Understandably, these entrepreneurs prioritize spending their income for additional business capital for them to continuously operate (3.04) over satisfaction of all personal obligations (3.00).

Due to different microfinance services being offered and availed by entrepreneurs, their financial position has generally improved with the highest mean of 4.60. Second, amount of loans being extended to them are sufficient to start or further finance the business with a mean of 4.45. It is followed by an overall progress in their general living (4.42), entrepreneurs' appreciation that loan repayment schedules are convenient (4.41), and entrepreneurs' access to health services has also improved (4.39). Evidently, other factors also showed favorable results which mean that microfinance services has generally been helpful in their business operations. Consequently, uplifting entrepreneurs' way of lives in many aspects.

4. CONCLUSION

Entrepreneurs are primarily focused on availing insurances and loans from microfinance institutions. Although there are available seminars, trainings, and exposure trips, entrepreneurs tend to neglect these opportunities believing these will not bring utmost benefits to them. Mostly spending full time in business operations leaving no spare in attending such activities. Income allocation requires a lot of discipline to have an effective income management per se. With the presence of formal and informal lending institutions, changing market demands, and increasing personal obligations like education, health, and household expenditures, entrepreneurs are greatly challenged to satisfy both personal and business obligations. Somehow, it is fulfilling to know that these entrepreneurs are responsible debtors to their creditors in paying their obligations before satisfying additional business capital and personal obligations. Lastly, microfinance services positively influenced income operations of retail entrepreneurs in many aspects. Microfinance practices in extending loan assistance and other microfinance services clearly showed favorable feedback from entrepreneurs making their financial position in a better advantage.

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