



“Pwede Pautang” : Examining the Perceptions of Micro-Entrepreneurs on the Effectiveness of Informal Money Lending as their Last Resource

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ABSTRACT

This study examined the perception of the selected micro-entrepreneurs about the effectiveness of informal money lending as their last resource in Maasim, Sarangani Province, and described their reasons for lending from informal money lenders. To achieve the study's goal, the researchers used a mixed method approach, in which fifty (50) respondents and three (3) informants were chosen through the use of a purposive sample strategy since they satisfied the identical requirements for becoming the study's informants and respondents. Using the statistical tools, it was found that most of the respondents are female and fall under the age range of 28 to 37 years old. Similarly, 15 (30%) of them have a monthly income of below Php. 2,000 which is why they resorted to loans from other people. Generally, the respondents have a very high level ($x=4.49$) of perception regarding the effectiveness of informal money lending. Also, the results showed that there is a significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to gender, age range, and monthly income. However, when it was grouped according to the source of the loan, there was no statistically significant difference was demonstrated. Nevertheless, it was due to additional investment and capital for their business that were the reasons of the informants for lending of money. Since it is recognized that many respondents borrow money for additional investment and capital for their businesses, governments, and NGOs may offer entrepreneurship support programs and access to credit for small businesses to foster business growth and economic development.

Keywords: *Examining Perceptions, Micro-entrepreneurs, Effectiveness of Informal Money Lending, Reasons for Lending Money, Additional Investment, Capital for Business*

INTRODUCTION

Background of the Study

Poverty is one of the issues facing our nation today. Having a diverse population and low incomes in every household is the primary cause of our nation's impoverished status. Because it serves as a medium of exchange, money is a necessity for every individual. It is regarded as one of the most remarkable inventions in all of human history. For the impoverished, money is equivalent to survival. Everyone requires money to satisfy their desires and requirements. Thus, individuals indulge in credit or lending systems.

Credit/lending is a person's capacity to obtain goods, services, or money in exchange for a promise to pay at a future date. It enables individuals to acquire the funds necessary to finance their requirements. The very poorest of the impoverished should have access to a credit system's benefits. This despondent group has the greatest need for recognition. Credit-eligible individuals have the opportunity to enhance their social and economic circumstances if they use credit responsibly (California University, 2020).

Hence, there have been numerous efforts to enhance the local community. Microfinance was established to lend a certain amount of money. It is the provision of financial services to low-income customers, such as consumers and the self-employed, who lack access to traditional banking and related services. It is a movement whose goal is a world in which as many impoverished and near-poor households as possible have permanent access to a suitable range of high-quality financial services, including not only credit but also savings, insurance, and fund transfers. Those who advocate for microfinance typically believe that such access will aid the impoverished in escaping poverty (California University, 2020).

Microfinance institutions facilitate everyone's access to financing. Contrary to bank financing, it is intended to provide financial services to impoverished communities and reduce global poverty. In our country, the Philippines, there have been numerous microfinance institutions of all shapes and sizes as observed by the researchers. The objective of these microfinance institutions is to reach out to impoverished communities and offer financial aid.

Moreover, during these difficult times, many individuals would seek the assistance of those in the money-lending business, particularly those individuals engaged in formal money-lending schemes. It is a means of supporting their families, meeting the financial requirements of micro-entrepreneurs, and alleviating poverty. Informal lending is one of the most prevalent household funding sources in the Philippines. According to Fuwa (2015), formal financial institutions are largely underdeveloped in developing economies; consequently, informal lending is a significant credit access mechanism. Mansuri (2017) added that informal lenders with market or capital exposure find it alluring to delegate loan provisions to downstream lenders with a knowledge or compliance advantage when dealing with individual borrowers.

Micro-entrepreneurs are the most patronizing party in this form of the informal lending business, as they are the ones who require financial capital to finance their businesses' daily operations. According to Kondo (2016), informal money lenders are those who lend money without a license. They are also referred to as "5-6 money lenders" and are well-known for this type of informal lending business, which is utilized by some micro-entrepreneurs and individuals seeking to establish a new business in urban areas. The term "5-6" is used to explain why they lend money at 20% interest. For instance, if you borrow 500 pesos from them, you must repay it with 600 pesos or a 20% interest rate within one month, or according to the agreed-upon terms.

Furthermore, his study (Kondo, 2016) revealed that based on the criteria reasons micro-entrepreneurs borrowing money from informal money lenders were their capital for business, everyday expenses, lack of knowledge about the bank loan agreement, insufficient collateral to loan from a bank, the simple procedure of borrowing and negotiation with the lenders, and daily allowance for family expenses having a total mean of 2.72. Also, it was found that the total weighted mean of 2.49 for the terms and conditions of the money lending procedure, which includes the agreement about the amount of money borrowed, the interest rate, the mode of payment, the due date, and presenting collateral to the lender, indicates that respondents or micro-entrepreneurs in Batoda Terminal disagree about the terms and conditions of informal money lenders when borrowing money. Additionally, according to 69.53% of respondents, the statements considered by the researcher based on the preferences of a money borrower are advantageous for money borrowers in terms of borrowing money from informal money lenders.

With the advantage that this informal money lending offers, informal finance has been recognized as a powerful force in the growth of small to medium enterprises (SMEs) (Wellalage & Fernandez, 2019). For example, Jiang (2019) asserts that small businesses that have played a critical development role in the Philippines rely on informal finance to finance their business activities. According to Su and Sun (2011), informal finance was used to improve business performance in the manufacturing sector in the Philippines. In turn, wholesale businesses found trade credit lucrative.

Hence, informal financing is seen as an important way for small businesses to get money (Jiang, 2019). It is an important way for SMEs to get money to run their businesses. Through better local economic development, it also leads to the creation of jobs and a decrease in poverty in the surrounding areas (Lwesya, 2021). Because there are not any formal finance options in rural areas, informal finance is the main type of finance in the Philippines (Dube & Dube, 2016). In some places, informal loans are given to friends, family, and neighbors so that lenders can find out about borrowers for a low cost (Jiang, 2019). The informal sector uses moral constraints to make sure that loans are paid back and that lending works well.

Truly, the Philippines is a developing country with a large informal sector made up of small businesses. Many of these are small vendors who sell in public markets and have very few resources. Their ability to stay in business depends heavily on their ability to get financing. This usually comes from the informal sector as well, usually from "5-6" lenders (Kondo, 2016).

Because of the important role played by informal money lenders in making financial services available, it was important to describe how this informal system works with the micro-entrepreneurs in Maasim, Sarangani Province where some of the micro-entrepreneurs rely heavily on lending money to support their businesses by way of examining their perception regarding the effectiveness of informal money lending in sustaining their business through times. Also, to deepen the understanding of this topic, the researchers explored the informants' reasons for lending money from informal money lenders. In this way, their untold stories on this topic were revealed, adding to the array of studies concerning informal money lending. Moreover, since no studies have yet dwelt on the same issue, the empirical and practical knowledge herein reflected and discussed shall form a repertoire of information.

OBJECTIVES

The purpose of this study was to examine the perception of the selected micro-entrepreneurs about the effectiveness of informal money lending as their last resource in Maasim, Sarangani Province, and describe the informants' reasons for lending from informal money lenders.

To attain these goals, these subsequent questions were answered:

1. What is the socio-demographic profile of the respondents in terms of:
 - 1.1 Gender;

- 1.2 Age Range;
- 1.3 Monthly Income; and
- 1.5 Source of Loan?
2. What is the level of perception of the micro-entrepreneurs regarding the effectiveness of informal money lending in terms of:
 - 2.1 Cost;
 - 2.2 Discretion;
 - 2.3 Patience;
 - 2.4 Sympathy or Humanity; and
 - 2.5 Reliability?
3. Is there a significant difference in the level of perception regarding the effectiveness of informal money lending as perceived by the respondents when grouped according to socio-demographic profile?
4. What are the informants' reasons for lending money?

METHODOLOGY

This study utilized the combination of quantitative and qualitative research methods. Specifically, descriptive method was used in determining the socio-demographic profile in terms of gender, age range, monthly income, and source of the loan, in determining the level of perception of the micro-entrepreneurs regarding the effectiveness of informal money lending in terms of cost, discretion, patience, sympathy or humanity, and reliability.

The correlation method was used to prove if there was a significant difference in the level of perception regarding the effectiveness of informal money lending as perceived by the respondents when grouped according to socio-demographic profile.

On the other hand, the phenomenological design was used to analyze three (3) selected micro-entrepreneurs through the purposive sampling technique regarding their reasons for lending money from informal money lenders. These informants underwent Focus Group Discussion and In-depth Interviews.

Apart from the validation of the experts, a pilot test was carried out before an actual survey was conducted. The pilot test was done with the selected micro-entrepreneurs. The researchers carried out a pilot test where 10 sets of survey questionnaires were given to the respondents. The respondents' feedback about the said questionnaire was collected for improvement purposes. Table 1 below shows the results of the pilot test.

Table 1. Pilot Test Results

Constructs	Cronbach's Alpha Result	Number of Items
PERCEPTION		
Cost	0.74	5
Discretion	0.72	5
Patience	0.70	4
Sympathy or Humanity	0.71	4
Reliability	0.73	4

The table above validates the outcomes of Cronbach's Alpha Coefficient. As it indicates, the score of every construct is over 0.70. Among the constructs, Cost has the highest result of Cronbach's Alpha which is 0.74 or $\alpha = 0.74$, followed by Reliability with the result of Cronbach's Alpha which is

0.73 or $\alpha = 0.73$. Then, Discretion and Sympathy or Humanity with the results of Cronbach's Alpha which are 0.72 or $\alpha = 0.72$, and 0.71 or $\alpha = 0.71$, respectively. Last, the Patience with Cronbach's Alpha of 0.70 or $\alpha = 0.70$.

Considering the Cronbach's Alpha results exceeded 0.70, and it is very close to 1, it implies that the questionnaire got the highest reliability results. The reliability analysis was carried out on the constructs of Cost, Discretion, Patience, Sympathy or Humanity, and Reliability scales comprising 5, 5, 4, 4, and 4, respectively items in each of the constructs. Furthermore, Cronbach's Alpha shows that the questionnaire has reached acceptable reliability by having greater than 0.70 results thereby giving the implication that there is a high internal consistency of the questions in each of the constructs. Hence, all the items appeared to be worthy of retention, resulting in a decrease in the alpha if deleted; therefore, no removal of any item was done.

The study confined in Maasim, Sarangani Province, purposively utilized 50 respondents who met the criteria i.e., must be a resident of Maasim, Sarangani Province, must be a micro-entrepreneur either an ambulant vendor, rolling store vendor, or stall vendor, and must have engaged in informal money lending such as 5-6 or borrowing from friends, relatives, and people who were informal money lenders.

Researcher made questionnaire was the main instrument used in this study. The questionnaire consisted of three (2) main parts. The first part of the survey questionnaire is about the Demographic Profile of the Respondents, and the second part is about the Perception of the Micro-entrepreneurs regarding the Effectiveness of Informal Money Lending as perceived by respondents. These parts of the questionnaire were presented in English with Bisaya translations for easier understanding of the respondents. In the interpretation of the responses, a five-point scale with a mean range was utilized as shown in Table 2 below.

Table 2. Interpretation of the Perception of the Effectiveness of Informal Money Lending

MEAN RANGE	INTERPRETATION ON THE IMPACT OF THE CASH-ON-DELIVERY AS AN ALTERNATIVE PAYMENT METHOD
4.21 – 5.00 (5)	Very High Level
3.41 – 4.20 (4)	High Level
2.61 – 3.40 (3)	Moderate Level
1.81 – 2.60 (2)	Low Level
1.00 – 1.80 (1)	Very Low Level

At the same time, in the qualitative method, the researchers used an interview guide which was validated by the teacher-validators. The questions were open-ended to allow the informants to give further descriptions and explanations about their responses.

Data Analysis

The data obtained in the reliability of the questions constructed Cronbach's Alpha were used. Frequency and Percentage Count in the demographic profile, Weighted Mean was used in determining the level of perception of the micro-entrepreneurs on the Effectiveness of Informal Money Lending, and in determining if there is a significant difference in the level of perception regarding the effectiveness of informal money lending as perceived by the respondents when grouped according to socio-demographic profile, a T-test and One-way Analysis of Variance (ANOVA) were used using SPSS. All tests were done at the 0.05 level of significance.

Further, in providing analysis and interpretation in the qualitative data gathered in this study, phenomenological data analysis was utilized in this research.

RESULTS AND DISCUSSION

Objective One: Demographic profile of the respondents. The demographic profile of the respondents was determined using Frequency and Percentage and the results are presented in Table 3.

Table 3: Socio-demographic Profile of the Respondents (n=50)

VARIABLES	Frequency	Percentage
GENDER	Male	36.77%
	Female	63.23%
	TOTAL	100%
AGE RANGE	16 to 17 years old	45.16%
	18 to 20 years old	54.84%
	TOTAL	100%
DAILY ALLOWANCES	Php. 20	5.16%
	Php. 50	65.81%
	Php. 100	12.90%
	Php. 150	1.94%
	Above Php. 250	14.19%
	TOTAL	100%
PREFERRED ONLINE SHOP	Facebook	10.98%
	Instagram	0.65%
	Lazada	1.29%
	Shopee	68.39%
	Shein	1.29%
	TikTok	17.40%
	TOTAL	100%
FREQUENCY OF ONLINE TRANSACTIONS	Once a week	28.39%
	More than once a week	19.35%
	Once a month	36.13%
	More than once a month	16.13%
	TOTAL	100%

Results from Table 3 shows the results of the socio-demographic profile of the respondents. Particularly, most of the respondents are **female** as demonstrated by the frequency of **44 (88%)**, and fall under the age range of **28 to 37 years old** depicted in the frequency of **17 (34%)**. Similarly, **15 (30%)** of them have a monthly income of **below Php 2,000** which is why they resorted to loans from **other people** as evidenced by the frequency of **34 (68%)**.

The results suggest that the fact that a significant majority of respondents are female (88%) suggests that there may be gender-specific factors at play when it comes to resorting to informal money lending. Further research may be needed to explore why more females are engaging in informal money lending compared to males. The concentration of respondents in the age range of 28 to 37 years old (34%) indicates that this age group is more likely to turn to informal money lending sources. Understanding the financial challenges faced by this specific age group can help in designing targeted financial literacy programs or support systems.

Additionally, the finding that 30% of respondents have a monthly income below Php. 2,000 and 68% of respondents resort to loans from other people implying a strong association between low

income and reliance on informal money lending. It suggests that people with low incomes may not have access to formal financial services, leading them to seek alternative sources of credit.

These results highlight the importance of financial inclusion efforts. It is possible that a significant portion of the population in this study does not have access to formal banking services, leading them to depend on informal money lending. Policymakers and financial institutions should consider these findings when designing strategies to increase financial inclusion.

Also, the combination of being female, falling within a certain age range, and having a low income suggests a specific socio-economic vulnerability among this group of respondents. Understanding their unique financial challenges and needs is crucial for creating targeted interventions to improve their financial well-being. Informal money lending can often be associated with high-interest rates and exploitative lending practices. The fact that a significant portion of respondents with low incomes resort to informal money lending highlights the need for consumer protection measures and regulations to prevent vulnerable individuals from falling into debt traps (Nguyen & Canh, 2021). Furthermore, informal money lending within communities may be a strong coping mechanism for those with limited financial resources. Exploring the dynamics of these community-based financial networks can provide insights into how social capital and trust play a role in informal lending arrangements (Nguyen & Canh, 2021).

Therefore, the socio-demographic profile of the respondents in this study sheds light on the specific characteristics and challenges of individuals who resort to informal money lending. These implications can guide further research and inform policy decisions aimed at addressing financial inclusion, reducing vulnerability, and ensuring fair lending practices.

Objective Two: Level of Perception of the Micro-entrepreneurs on the effectiveness of Informal Money Lending was determined using Mean and the results are presented in Tables 4, 5, 6, 7, 8 and 9.

Table 4 Level of Perception on the Effectiveness of Informal Money Lending in Terms of Cost (n=50)

Indicators	Mean	Description
I favor that when I did not pay the debt one of my assets would be taken.	3.54	High Level
I have enough business income to avail of informal lending.	4.14	High Level
I am encouraged to borrow money in informal lending because of my emergency business needs.	4.46	Very High Level
Informal lending has a great impact on my business because it adds to my investment.	4.66	Very High Level
I agree with the borrower's interest rate in informal lending because it is reasonable in terms of time length.	4.54	Very High Level
Mean	4.27	Very High Level

Legend: (4.21-5.00) Very High Level (3.41-4.20) High (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

As evaluated by the respondents, they have a very high level of perception of the effectiveness of informal money lending in terms of cost as shown by the mean of 4.27 ($x=4.27$). Specifically, they favor that when they did not pay the debt one of their assets would be taken ($x=3.54$); they have enough business income to avail of informal lending ($x=4.14$); they are encouraged to borrow money in informal lending because of their emergency business needs ($x=4.46$), informal lending has a great

impact on their business because it adds to their investment ($x=4.66$), and they agree with the borrower's interest rate in informal lending because it is reasonable in terms of time length ($x=4.54$).

In summary, the respondents have a very high level of perception of the effectiveness of informal money lending.

Implications

The results imply a positive perception of cost-effectiveness: The high mean score of 4.27 indicates that respondents perceive informal money lending as a cost-effective option. This suggests that they view it as an accessible and affordable source of financing compared to formal alternatives.

Specifically, these findings may suggest that formal financial institutions need to compete more effectively with informal lending in terms of affordability and accessibility to attract borrowers. Respondents favor the idea that their assets may be taken if they do not repay the debt. This implies that the borrowers seem to be willing to accept higher risks, such as potential asset loss, in exchange for access to informal loans. Understanding this risk tolerance is essential for designing responsible lending practices.

Also, the high mean score of 4.14 regarding having enough business income to avail of informal lending suggests that the respondents may feel that their businesses are financially stable enough to support borrowing from informal sources. This could be an indicator of the health of local businesses in the study area. Further, the high mean score of 4.46 regarding being encouraged to borrow due to emergency business needs implies that the respondents may face frequent emergencies or cash flow challenges in their businesses. Understanding the nature of these emergencies can help design financial products that address specific needs.

Moreover, the high mean score of 4.66 suggests that respondents believe informal lending has a significant impact on their businesses. Informal lending might be contributing positively to local businesses, and by extension, the local economy. Recognizing this impact can guide policy decisions to support and regulate such lending practices.

Additionally, the mean score of 4.54 for agreeing with the borrower's interest rate indicates that respondents find the interest rates in informal lending to be reasonable in terms of time length. This suggests that informal lenders may be offering competitive interest rates compared to formal institutions. It highlights the importance of promoting competition in the financial sector.

Given the positive perception of informal lending, there may be a need for consumer protection measures and regulatory oversight to ensure fair practices and prevent exploitation. Since respondents seem to perceive informal lending as cost-effective, efforts to enhance financial literacy and educate individuals about the full cost and risks associated with informal lending may be necessary.

In summary, these results indicate that respondents have a favorable view of informal money lending, perceiving it as a cost-effective and accessible financial option. These perceptions can inform strategies for improving formal financial services, addressing emergency financial needs, and promoting responsible lending practices. Similarly, policymakers may need to strike a balance between facilitating access to affordable credit and protecting borrowers from potential risks associated with informal lending.

Indeed, informal finance is considered an indispensable source of funds for small businesses (Jiang, 2019). It is an important source of funds used to fund SMEs' business operations. In addition, its spillover effects include job creation and poverty reduction in communities through improved local economic development (Lwesya, 2021). In rural areas, informal finance dominates the financial sector

because of the absence of formal finance options (Dube & Dube, 2016). In some communities, informal finance is provided to acquaintances, kin, and kin such that lenders can obtain information about borrowers at a low cost (Jiang, 2019). The informal sector uses moral constraints for loan recovery and efficient lending.

Moreover, Cuevas (2019) argues that the informal financial sector has a variety of flexible arrangements, and its innovativeness creates arrangements that lower transaction costs. Services offered by the informal sector enhance the development and growth of micro and small businesses (Wellalage & Fernandez, 2019). The informal sector provides a wide choice of finance suppliers to micro and small businesses. Extant literature shows that informal finance promotes investment among small entrepreneurs, including women and migrants (migrant entrepreneurs) (Mago, 2020). Women in Ghana have realized business growth through accessing informal finance, thus enhancing empowerment (Schindler, 2010). Accessing finance further improves the cash flow position of these businesses (Nguyen & Canh, 2021; Wellalage & Fernandez, 2019).

Moreover, Miraflor studied the effects of the informal lending sector on the profitability of the Micro-Business establishments in the market site of Daraga, Albay. Her study revealed that all micro-business owners utilized loans to keep their business enterprises going. As to their economic profitability, almost all agreed that the utilization of the amount borrowed was economically profitable (Alcazar, 2014).

Table 5 Level of Perception on the Effectiveness of Informal Money Lending in Terms of Discretion (n=50)

Indicators	Mean	Description
It is not hard to pay every day for my borrowed money.	4.00	High Level
Informal lending helps with my livelihood.	4.44	High Level
I will repay informal lending because it benefits me greatly.	4.72	Very High Level
I balance my income and expenses to allocate payment for my debt.	4.66	Very High Level
I borrowed money from informal lending because it greatly helped my business.	4.64	Very High Level
Mean	4.49	Very High Level

Legend: (4.21-5.00) Very High Level (3.41-4.20) High (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

As assessed by the micro-entrepreneur-respondents, their perception of the effectiveness of informal money lending in terms of discretion is at a **very high level** as demonstrated by the mean of 4.49 ($x=4.49$). Precisely, it is not hard to pay every day for their borrowed money ($x=4.00$); informal lending helps with their livelihood ($x=4.44$); they will repay informal lending because it benefits them greatly ($x=4.72$); they balance their income and expenses to allocate payment for their debt ($x=4.66$), and they borrowed money from informal lending because it greatly helped their business ($x=4.64$).

Generally, the respondents assessed their perception of the effectiveness of informal money lending in terms of discretion to be at a very high level.

Implications

Micro-entrepreneurs perceive informal money lending as a highly discreet financial option. This indicates that borrowers feel comfortable and confident in their interactions with informal lenders, possibly due to the absence of stringent formal regulations and paperwork. The finding that it is not hard for micro-entrepreneurs to make daily repayments for their borrowed money suggests that the

repayment terms of informal lending arrangements are manageable for them. This implies that informal lending may offer flexible repayment schedules that align with their cash flow.

Moreover, the high rating for informal lending helping with livelihood underscores the importance of informal lending in sustaining the financial well-being of micro-entrepreneurs. This indicates that these loans play a critical role in supporting their daily business operations and personal financial needs. Also, the high score for the willingness to repay informal loans due to perceived benefits suggests that micro-entrepreneurs view these loans as highly advantageous to their business and overall financial stability. This motivation for repayment can lead to a lower default rate among borrowers.

Additionally, the finding that borrowers are capable of balancing their income and expenses to allocate payments for their debt demonstrates a level of financial discipline among micro-entrepreneurs. This skill could be attributed to their need to manage daily financial obligations effectively. Similarly, the high rating for the positive impact of informal lending on their business indicates that micro-entrepreneurs consider these loans as a catalyst for business growth and sustainability. This suggests that informal lending may contribute to economic development at the grassroots level.

In summary, these results suggest that informal money lending is not only perceived as discreet and beneficial by micro-entrepreneurs but also plays a significant role in supporting their livelihoods and businesses. The willingness to repay and financial discipline exhibited by borrowers can contribute to the stability and success of informal lending practices within this community. However, it is essential to consider potential risks and the long-term financial well-being of borrowers when assessing the implications of these findings.

Informal finance is considered an indispensable source of funds for small businesses (Jiang, 2019). It is an important source of funds used to fund SMEs' business operations. In addition, its spillover effects include job creation and poverty reduction in communities through improved local economic development (Lwesya, 2021). In rural areas, informal finance dominates the financial sector because of the absence of formal finance options (Dube & Dube, 2016). In some communities, informal finance is provided to acquaintances, kin, and kin such that lenders can obtain information about borrowers at a low cost (Jiang, 2019). The informal sector uses moral constraints for loan recovery and efficient lending.

Alaurin (2017) on their study, they found great social and economic benefits after the procurement of loans. The majority of them used the loaned amount to meet their financial commitments. The loan availed furthermore added to the income level of the family, thereby increasing their purchasing ability.

Also, lenders practice discipline to save money for lending. Borrowers develop the discipline to pay back loans. Borrowers are encouraged through informal liability pressure to participate in a way that makes the sector sustainable (Du & Cheng, 2022). Ethical business behavior is expected from lenders and borrowers (Madestam, 2014).

Moreover, Cate (2013) concluded that the perceived socioeconomic effects of Microfinance-HELP were positive. That is, the client beneficiaries evaluated the whole program as good because it helped them among others to improve their well-being, achieve social aspirations, and taught them how to save and appreciate the value of saving. It also increased their family income and taught them wise budget management.

Table 6 Level of Perception on the Effectiveness of Informal Money Lending in Terms of Patience (n=50)

Indicators	Mean	Description
I pay on the agreed date of payment.	4.60	Very High Level
I pay based on our agreement terms.	4.80	Very High Level
I pay in advance of our agreed date of payment.	4.16	High Level
I always wait for the collector to arrive on the date of payment.	4.36	Very High Level
Mean	4.48	Very High Level

Legend: (4.21-5.00) Very High Level (3.41-4.20) High (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

Presented in Table 6 is the assessment of the respondents regarding their perception of the effectiveness of informal money lending in terms of patience, and the results reveal that they have a **very high level** of perception as supported by the mean of 4.49 ($x=4.49$). Specifically, they pay on the agreed date of payment ($x=4.60$); they pay based on their agreement terms ($x=4.80$); they pay in advance of their agreed date of payment ($x=4.16$), and they always wait for the collector to arrive on the date of payment ($x=4.36$).

In sum, the respondents have a very high level of perception of the effectiveness of informal money lending in terms of patience.

Implications

These results highlight several implications regarding the perception of the effectiveness of informal money lending, specifically in terms of patience, among the respondents. The mean score of 4.49 indicates that respondents have a very high level of patience when it comes to informal money lending arrangements. This suggests that they are generally willing to accommodate flexible payment terms and are not overly anxious about repayment schedules. The high score (4.60) for paying on the agreed date of payment implies that borrowers are committed to meeting their financial obligations promptly. This adherence to the agreed-upon payment date reflects a strong sense of responsibility.

The even higher score (4.80) for paying based on their agreement terms indicates that respondents are meticulous about following the specific terms and conditions of their lending agreements. This level of commitment to contractual terms is favorable for maintaining trust between borrowers and lenders. While the mean score for paying in advance of the agreed date of payment is slightly lower (4.16), the fact that respondents are willing to make early payments suggests a degree of financial stability and a desire to settle their debts promptly. Additionally, the score of 4.36 for always waiting for the collector to arrive on the date of payment indicates that borrowers are willing to accommodate the schedules of collectors. This flexibility on their part can contribute to smoother transaction processes.

Overall, these results indicate that borrowers in informal money lending arrangements exhibit a high level of patience, responsibility, and commitment to their repayment obligations. They are generally diligent about meeting their financial commitments, both in terms of timing and adherence to agreement terms. This positive behavior can contribute to the overall effectiveness and sustainability of informal lending practices, fostering trust and cooperation between borrowers and lenders.

However, it is essential to recognize that these findings are based on self-reported perceptions and may not fully capture the complexities of informal lending dynamics. Additionally, assessing the potential impact of high levels of patience on borrowers' financial well-being and overall debt management is crucial for a comprehensive understanding of these implications.

The firm's effort to get customers to pay their bills at a certain time falls within accounts receivable management, on the other hand, the firm's decision about when to pay bills involves accounts payable and accrual management (Caraballo & Danisco, 2017).

According to Clutario (2016) in their study entitled "The Social and Economic Benefits of People's Alternative Livelihood Foundation of Sorsogon Inc. (PALFSI)" to its borrowers, the problems that the PALFSI clients have encountered in the procurement of loans are not quite felt by most, except for some. The very problem of the majority is the inability of their co-borrowers to pay back the borrowed amount which in effect burdens the other members in terms of payment.

Table 7 Level of Perception on the Effectiveness of Informal Money Lending in Terms of Sympathy or Humanity (n=50)

Indicators	Mean	Description
The collector and I treated each other well.	4.76	Very High Level
Told the cause of the delay of payment to the collector.	4.56	Very High Level
Every time I missed paying, I asked for consideration.	4.46	High Level
I apologized whenever I cannot pay the agreed payment date.	4.72	Very High Level
Mean	4.63	Very High Level

Legend: (4.21-5.00) Very High Level (3.41-4.20) High (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

It can be construed in Table 7 that the respondents have a very high level of perception of the effectiveness of informal money lending in terms of sympathy or humanity. This means that the collector and they treat each other well ($x=4.76$); they tell the cause of the delay of payment to the collector ($x=4.56$); every time they miss paying, they ask for consideration from the collector ($x=4.46$), and they apologize whenever they cannot pay for their agreed date of payment ($x=4.72$).

In summary, the respondents have a very high level of perception of the effectiveness of informal money lending in terms of sympathy or humanity.

Implications

The results imply that the high mean score of 4.76 for "the collector and they treat each other well" suggests that there is a strong sense of mutual respect and cooperation between borrowers and collectors. This is indicative of a positive and respectful relationship, which is essential for maintaining trust in informal lending arrangements. Also, the mean score of 4.56 for "they tell the cause of the delay of payment to the collector" implies that there is open and honest communication between borrowers and collectors. This transparency can foster understanding and empathy, helping collectors make informed decisions about how to handle late payments.

Moreover, the score of 4.46 for "every time they miss paying, they ask for consideration from the collector" indicates that borrowers are proactive in addressing financial difficulties. Their willingness to seek consideration suggests that they are committed to finding solutions and maintaining a positive relationship with collectors. Similarly, the high score of 4.72 for "they apologize whenever they cannot pay for their agreed date of payment" demonstrates a sense of responsibility and accountability among borrowers. This practice of apologizing can help mitigate tension and maintain goodwill in the lending relationship.

These findings collectively suggest that informal money lending in this context is characterized by a strong emphasis on humane and empathetic interactions between borrowers and collectors. Such a positive atmosphere can contribute to the effectiveness and sustainability of informal lending practices in several ways:

Sympathetic and respectful interactions can build trust between borrowers and collectors, reducing the likelihood of disputes and conflicts. Open communication and willingness to seek consideration can help resolve issues related to late payments more amicably, reducing the risk of

loan defaults. A humane approach fosters long-term relationships between borrowers and collectors, potentially leading to repeat business and positive word-of-mouth referrals.

Furthermore, positive interactions in informal lending can contribute to social cohesion within the community, strengthening ties and cooperation among its members. However, it is essential to acknowledge that these results are based on self-reported perceptions, and the actual dynamics of informal lending may vary. Additionally, while these findings highlight positive aspects, it is important to consider potential drawbacks or challenges associated with informal lending practices, such as high interest rates or limited access to formal financial services.

The relationships encourage borrowers to own their promises to benefit from the lenders when roles are exchanged. Informal intermediaries are concerned with achieving high-quality relations between lenders and borrowers to sustain the sector (Adams & Hunter, 2019). Informal finance becomes attractive to micro and small businesses due to relatively high processing speed, ease of access, lower or no administrative fees, and in some cases, no collateral requirements (Nguyen & Canh, 2021).

Adams and Hunter (2019) state that they receive money from lenders for loans to borrowers at a commission. They are known for charging high interest rates, but they extend loans quickly, making them efficient and convenient for customers who need urgent transactions (Allen, 2019; Ky, 2021).

Table 8 Level of Perception on the Effectiveness of Informal Money Lending in Terms of Reliability (n=50)

Indicators	Mean	Description
In terms of business matters, informal lending is reliable.	4.62	Very High Level
It is easy to borrow money from informal lending without formal requirements.	4.36	Very High Level
Informal lending helps people without enough credentials to loan money.	4.52	Very High Level
In times of emergency, informal lending is very reliable.	4.72	Very High Level
Mean	4.56	Very High Level

Legend: (4.21-5.00) Very High Level (3.41-4.20) High (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

Table 8 shows the results from the respondents' perception of the effectiveness of informal money lending in terms of reliability. It is construed that the respondents have a **very high level** of perception as evidenced by the mean of 4.56 ($x=4.56$). This specifies that in terms of business matters, informal lending is reliable ($x=4.62$); it is easy to borrow money from informal lending without formal requirements ($x=4.36$); informal lending helps people without enough credentials to loan money ($x=4.52$), and in times of emergency, informal lending is very reliable ($x=4.72$).

Generally, the respondents have a very high level of perception of the effectiveness of informal money lending in terms of reliability.

The high mean score of 4.56 for "informal lending is reliable in terms of business matters" suggests that respondents view informal lending as a dependable source of financial support for their business needs. This implies that borrowers have confidence in the reliability of informal lending for business-related expenses. Further, the mean score of 4.36 for "it is easy to borrow money from informal lending without formal requirements" indicates that informal lending is seen as accessible and less bureaucratic. This suggests that borrowers appreciate the simplicity and ease of obtaining funds from informal sources.

Additionally, the score of 4.52 for "informal lending helps people without enough credentials to loan money" highlights the inclusive nature of informal lending. Borrowers who may not meet the stringent criteria of formal financial institutions may find informal lending to be a reliable option, promoting financial inclusion.

The high score of 4.72 for "in times of emergency, informal lending is very reliable" underscores the critical role of informal lending in providing a safety net during unexpected financial crises. This suggests that borrowers perceive informal lending as a dependable resource when urgent financial needs arise.

These findings collectively suggest that informal money lending is viewed positively in terms of reliability by the respondents. It is considered a trustworthy and accessible source of funds, particularly for business-related expenses and emergencies. These perceptions imply that informal lending can play a vital role in providing financial services to individuals who may not have access to formal banking institutions. This promotes financial inclusion and enables a broader segment of the population to meet their financial needs.

Moreover, the perception of informal lending as reliable for business matters suggests that it can contribute to the growth and sustainability of small businesses and entrepreneurial endeavors within the community. Recognizing informal lending as a reliable resource in emergencies can help individuals and households better prepare for unexpected financial challenges, potentially reducing the negative impacts of financial shocks.

However, it is important to consider potential downsides of informal lending, such as high-interest rates or the absence of formal consumer protection mechanisms. Additionally, addressing the long-term financial well-being of borrowers and ensuring fair lending practices should be important considerations in the context of informal lending.

Indeed, micro and small businesses face challenges in accessing finance (Flaminiano & Francisco, 2021; Mustafa, 2021). Nguyen and Canh (2021) define informal finance as small, short-in-maturity funding that is unsecured. The finance is sourced from private moneylenders, relatives and friends, and other business owners who play a significant financing role (Jasir, 2018; Jones, 2018; Nguyen & Canh, 2021). Aliber (2015) states that: "Informal finance mechanisms are as diverse as they are ubiquitous".

Informal finance has emerged because the formal financial system is either unwilling or unable to provide funds to micro and small businesses (Quartey, 2017). They view them as low-income and 'unbankable'; high risk and some do not know how to design financial products for them (Flaminiano & Francisco, 2021; Quartey, 2017). As an alternative, micro and small businesses develop their means of accessing finance from the informal finance system, which offers an alternative investment tunnel when formal finance is unavailable (Allen, 2019; Flaminiano & Francisco, 2021; Mutsonziwa & Fanta, 2021). In addition, informal finance becomes attractive to micro and small businesses due to relatively high processing speed, ease of access, lower or no administrative fees, and in some cases, no collateral requirements (Nguyen & Canh, 2021).

Informal finance is considered an indispensable source of funds for small businesses (Jiang, 2019). It is an important source of funds used to fund SMEs' business operations. In addition, its spillover effects include job creation and poverty reduction in communities through improved local economic development (Lwesya, 2021). In rural areas, informal finance dominates the financial sector because of the absence of formal finance options (Dube & Dube, 2016). In some communities, informal finance is provided to acquaintances, kin, and kin such that lenders can obtain information about borrowers at a low cost (Jiang, 2019). The informal sector uses moral constraints for loan recovery and efficient lending.

Table 9: Summary of the Level of Perception on the Effectiveness of Informal Money Lending: The Mean scores among the variables (n=50)

Variables	Mean Scores	Description
Cost	4.27	Very High Level
Discretion	4.49	Very High Level
Patience	4.48	Very High Level
Sympathy of Humanity	4.63	Very High Level
Reliability	4.56	Very High Level
Average Mean	4.49	Very High Level

(4.21-5.00) Very High Level (3.41-4.20) High Level (2.61-3.40) Moderate Level (1.81-2.60) Low Level (1.00-1.80) Very Low Level

Presented in Table 9 is the summary of the level of perception of the effectiveness of informal money lending as assessed by the respondents. In total, the respondents have a **very high level** of perception as evidenced by the mean of 4.49 ($x=4.49$). Definitely, all the variables, i.e., cost, discretion, patience, sympathy or humanity, and reliability have very high levels of perception as perceived by the respondents as demonstrated by the means of 4.27 ($x=4.27$), 4.49 ($x=4.49$), 4.48 ($x=4.48$), 4.63 ($x=4.63$), and 4.56 ($x=4.56$), respectively.

Implications

The overall results regarding the level of perception of micro-business owners regarding the effectiveness of informal money lending reveal several important implications. First, High Level of Trust and Confidence: The consistently high mean scores across various dimensions of informal money lending, such as discretion, patience, sympathy, and reliability, suggest that micro-business owners generally have a positive perception of informal lending practices. This indicates a high level of trust and confidence in the effectiveness of informal lending within their community. Second, Financial Inclusion: The positive perception of informal lending as a source of financial support for individuals without strong credentials implies that informal lending plays a crucial role in promoting financial inclusion. It provides access to funds for those who might otherwise be excluded from formal financial institutions.

Third, Business Sustainability: The perception that informal lending is reliable in terms of business matters underscores its significance in supporting the sustainability and growth of micro-businesses. This can contribute to the overall economic development of the community. Fourth, Community Cohesion: The findings related to sympathy, humanity, and patience suggest that informal lending practices foster positive relationships and social cohesion within the community. Borrowers and collectors appear to engage in respectful and empathetic interactions.

Fifth, Emergency Financial Support: The perception of informal lending as a reliable resource in times of emergency indicates its role as a safety net for micro-business owners and individuals facing unexpected financial crises. Sixth, Responsibility and Accountability: Borrowers' willingness to adhere to agreement terms, communicate openly about payment delays, and seek consideration when needed demonstrates a sense of responsibility and accountability within informal lending relationships.

Seventh, Potential Risks: While these results highlight the positive aspects of informal lending, it's important to recognize potential risks associated with this practice, such as high interest rates, lack of formal regulation, and limited recourse in case of disputes. These risks should be carefully considered and managed to protect the interests of borrowers. Eighth, Policy, and Regulation: The positive perception of informal lending underscores the importance of policymakers and financial institutions understanding and addressing the unique needs of micro-business owners and individuals

who rely on informal lending. Appropriate regulations and support mechanisms can help strike a balance between the benefits and risks of informal lending.

In conclusion, the overall results suggest that informal money lending is perceived as a valuable and effective financial resource by micro-business owners. It plays a significant role in their financial lives, supporting their businesses, promoting financial inclusion, and fostering community cohesion. However, it is essential to acknowledge and mitigate potential risks associated with informal lending to ensure the well-being of borrowers and the sustainability of these practices in the long term.

Truly, the informal finance sector offers a variety of financial arrangements (Adams & Hunter, 2019). Informal finance plays a crucial role in developing countries where formal finance systems are underdeveloped (Cao, 2019). It acts as "...a partial substitute for formal credit in developing countries" (Cao, 2019). Other benefits include access to finance, discipline, savings, reciprocity, and innovativeness.

Financial support for micro and small businesses is an aged debate but remains a dynamic topic that draws the attention of financiers, policymakers, development practitioners, and microfinance experts. All businesses require finance as a catalyst for business activities and growth (Benedict, 2021; Kasseeah, 2013; Kasseeah & Thoplan, 2012; Mago, 2014). However, banks are cautious and seem to exclude micro and small businesses whom they view as 'unbankable' because they do not have collateral for loans (Civelek, 2019), and do not generate large amounts of profits, thus operating at the base of the pyramid (Kasseeah & Thoplan, 2012; Lawless, 2015; Quartey, 2017).

Objective Three: Differences in the Level of Perception Regarding the Effectiveness of informal money lending as perceived by the respondents when grouped according to socio-demographic profile was determined using T-Test and One-way Analysis of Variance (ANOVA) are presented in Tables 10, 11.

Table 10: Differences in the Level of Perception Regarding the Effectiveness of Informal Money Lending (n=50)

VARIABLES	MEAN	T- VALUE	P- VALUE
Cost	4.27	22.44	**0.00
Discretion	4.49		
Patience	4.48		
Sympathy or Humanity	4.63		
Reliability	4.56		

** means statistically significant at p -value is <0.05

The result of the t-test showed that there is a significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to gender. This is shown by the t-value of 22.44 which has the p-value of 0.00. Since $p < 0.05$, then the difference is significant. These results, therefore, led to the rejection of the null hypothesis that there is no significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to gender.

The significant difference suggests that there are notable disparities in how men and women perceive the effectiveness of informal money lending. This could imply that gender-related factors play a role in shaping individuals' attitudes and experiences with informal lending practices. The divergence in perception may reflect gender-specific financial needs and challenges. Understanding these differences is crucial for tailoring financial services and support to address the unique requirements of both genders effectively.

Also, recognizing gender-based variations in perceptions highlights the importance of promoting financial inclusion and gender equity in informal lending. Policymakers and financial institutions may need to implement targeted interventions to ensure that both men and women have equal access to financial resources and opportunities.

In summary, the significant difference in perception regarding the effectiveness of informal money lending when grouped by gender underscores the need to address gender-specific financial challenges and opportunities. This recognition can inform policy and program development aimed at achieving greater financial inclusion and equity among different gender groups.

Table 11: Difference in the Level of Perception on the Effectiveness of Informal Money Lending According to Age Range (n=50)

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F	P-Value
Between Groups	11.12	2	0.19	0.56	**0.02
Within Groups	23.14	48	0.28		
Total	34.26	50			

** means statistically significant at p -value is <0.05

The One-way Analysis of Variance was conducted to evaluate the null hypothesis that there is no significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to age range. The independent variable is the Age Range groups: 18 to 27 years old (n=2), 28 to 37 years old (n=17), 38 to 47 years old (n=16), and Above 48 years old (n=15).

The ANOVA determined that there was a statistically significant difference between groups, ($F=0.56$, $p = 0.02$). Thus, since the p -value $> p = 0.05$, there is significant evidence to reject the null hypothesis and conclude that there is a significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to age range.

The significant difference suggests that perceptions of informal money lending effectiveness vary across different age groups. This implies that individuals from different age ranges may have distinct attitudes and experiences related to informal lending practices. Businesses and lenders may benefit from market segmentation strategies that take into account age-related differences in perception. Understanding the unique preferences and concerns of different age groups can help tailor marketing efforts and financial offerings.

Furthermore, the results indicate the importance of further research to explore the specific reasons behind the age-related differences in perception. Understanding these underlying factors can provide deeper insights into the dynamics of informal lending practices. Also, the findings may suggest opportunities for inter-generational financial support. For example, older individuals may have valuable financial knowledge and resources that can be shared with younger generations, potentially enhancing financial well-being.

In summary, the significant difference in perception regarding the effectiveness of informal money lending when grouped by age range underscores the importance of recognizing age-related variations in financial attitudes and behaviors. Addressing these differences can lead to more inclusive and effective financial services and policies that cater to the diverse needs of individuals at different stages of life.

Table 12: Difference in the Level of Perception Regarding the Effectiveness of Informal Money Lending According to Monthly Income (n=50)

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F	P-Value
Between Groups	10.20	2	0.11	0.43	**0.00
Within Groups	25.18	48	0.18		
Total	35.38	50			

** means statistically significant at $p\text{-value is } < 0.05$

The One-way Analysis of Variance was conducted to evaluate the null hypothesis that there is no significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to monthly income. The independent variable is the Monthly Income groups: Below Php. 2,000 (n=15), Php. 2,001 to Php. 5,000 (n=13), Php. 5,0001 to Php. 8,000 (n=11), Php. 8,001 to Php. 11,000 (n=8), and Above Php. 11,000 (n=3).

The ANOVA determined that there was a statistically significant difference between groups, (F=0.43, $p = 0.00$). Thus, since the $p\text{-value} > p = 0.05$, there is significant evidence to reject the null hypothesis and conclude that there is a significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to monthly income.

The significant difference suggests that there are notable variations in how individuals with different monthly income levels perceive informal money lending. This implies that income plays a significant role in shaping attitudes and experiences related to informal lending practices. Businesses and lenders may benefit from segmenting their markets based on income levels. Understanding the unique financial needs and challenges of customers in different income brackets can inform marketing strategies and product offerings.

Additionally, the findings may shed light on income inequality and disparities in financial well-being. Policymakers may use this information to develop initiatives aimed at reducing income inequality and improving the financial security of lower-income individuals. Further research is warranted to explore the underlying reasons for the income-based differences in perception. Understanding these factors can provide insights into how income influences financial decision-making and perceptions of lending practices.

In summary, the significant difference in perception regarding the effectiveness of informal money lending when grouped by monthly income underscores the importance of recognizing income-related disparities in financial attitudes and behaviors. Addressing these disparities can lead to more inclusive and equitable financial services and policies that consider the diverse financial circumstances of individuals with varying income levels.

Table 13: Difference in the Level of Perception Regarding the Effectiveness of Informal Money Lending According to Source of Loan (n=50)

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F	P-Value
Between Groups	9.10	2	0.27	0.52	**0.06
Within Groups	28.18	48	0.38		
Total	37.28	50			

** means statistically significant at $p\text{-value is } < 0.05$

The One-way Analysis of Variance was conducted to evaluate the null hypothesis that there is no significant difference in the level of perception regarding the effectiveness of informal money

lending when grouped according to the source of the loan. The independent variable is the Source of Loan groups: Friends (n=3), Relatives (n=8), Neighbors (n=5), and Other People (n=34).

The ANOVA determined that there was no statistically significant difference between groups, ($F=0.52$, $p = 0.06$). Thus, since the p -value $> p = 0.05$, there is significant evidence to accept the null hypothesis and conclude that there is no significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to the source of the loan.

The absence of a significant difference suggests that individuals perceive informal money lending similarly regardless of the source of the loan. This implies that borrowers' attitudes and experiences are generally consistent, irrespective of whether they obtained funds from friends, family, or other sources. The findings indicate that, in this context, informal lending practices may exhibit a level of consistency and uniformity across different sources. This could be due to common cultural or community norms governing informal lending.

Moreover, the results suggest that individuals do not discriminate between loan sources when evaluating the effectiveness of informal money lending. This could indicate that borrowers perceive similar advantages and disadvantages in borrowing from various sources. Notwithstanding the source, informal lending may continue to serve as a crucial safety net for individuals in need of financial assistance during times of crisis or for entrepreneurial ventures.

QUALITATIVE RESULTS AND DISCUSSIONS

The qualitative results of this paper presented the responses of the informants to the research question: (a) What are the informants' reasons for lending money?

With the advent of accessible, transportable, and affordable recording devices, transcription, and coding had been an advantage because the researchers were able to replay the recorded video and audio as often as necessary until the desired result was achieved.

Reasons for Lending Money

This part is the analysis of the data gathered using a consensual qualitative research method by which the researchers arrive at a consensus on the meaning of the data collected such as interview transcripts. To do this, they coded into domains by segmenting the data according to the topics they covered. Then, they developed core ideas within domains by reducing original ideas into fewer words and finally did cross-analysis where they grouped the core ideas into categories or theme clusters based on similarities or commonalities of their responses. To determine the internal stability of the responses, the researchers determined the extent to which the category/theme cluster was general, typical, or variant.

When the informants were asked about their reasons for lending money from informal money lenders, *additional investment and capital* as a theme emerged. To them, they lack access to traditional banking services and formal credit institutions because these financial lending institutions require collateral assets from the borrower before can avail the money. Hence, they resorted to informal lending institutions/persons because they provide an alternative source of funds when formal options are unavailable. Table 14 shows the themes and core ideas from the significant statements of the informants.

Table 14: Based on your experience, what are your reasons for lending money from informal money lenders like 5-6?

Significant Statement	Code	Formulated Meaning	Theme Cluster
I borrowed money from 5-6 for additional capital and investment in other businesses to increase my gain. Informal lenders have been a big help to me, especially those who have no assets like me to offer as collateral, I can still lend some money from them, provided that I	MEI-1 (Magno)	Additional Investment and Capital	Additional Investment and Capital

have to pay religiously according to the agreed amortization and date or term of payment.			
I borrowed money at that time because I needed it as additional capital for my business and for me to have something to use for other businesses. Informal lending has helped me a lot because I can still borrow even if I do not have anything to offer as collateral like land title, etc.	MEI-2 (Hermoso)	Additional Investment and Capital	
The reason why I borrowed money was I used it as additional capital for my business and as an investment to other businesses because sometimes, our business faces recession; hence, I have to strategize to sustain our business, and the only thing I thought of was to lend money from informal lending to keep our business going, so it is more like assistance to our business sustainability.	MEI-3 (Alegre)	Additional Investment and Capital	

The transcripts of the interviews conducted with the informants about their reasons for lending money from informal lending institutions or individuals revealed that they did it to increase their business profit by using the borrowed money as their **additional investment and capital**. The purpose of having additional investment and capital in a business is to support and facilitate various aspects of its operations and growth. Additional investment and capital serve as vital resources that enable a business to achieve its objectives and remain competitive.

Additional capital can be used to expand the business, whether through opening new locations, entering new markets, or diversifying into related product lines or services. Expansion can lead to increased revenue and market share. Similarly, capital investments in machinery, technology, and equipment can enhance production efficiency, reduce costs, and increase output, ultimately improving the business's competitiveness.

Furthermore, having sufficient working capital is crucial for the informants' business day-to-day operations. It covers expenses such as salaries, rent, utilities, and inventory purchases. Having adequate working capital ensures their smooth business operations and prevents liquidity crises. Hence, with the vital role of capital and investment in their businesses, the informants resorted to lending from informal lending institutions to keep their businesses' long-term growth and sustainability attainable despite the changes in the business realm.

Moreover, when micro-business owners borrow money from informal lending institutions for additional investment and capital, several implications arise. Access to additional capital can provide a competitive advantage by enabling micro-businesses to respond to market demands, innovate, and stay ahead of competitors. Investment in capital assets such as equipment, technology, or machinery can enhance productivity and operational efficiency, potentially reducing costs and increasing profitability. Also, borrowed funds can support efforts to diversify products, services, or markets, reducing dependence on a single revenue source and improving resilience in changing economic conditions.

Additionally, borrowing for additional investment and capital suggests that micro-business owners are looking to expand their operations or invest in growth opportunities. This can lead to increased revenue, market share, and overall business growth. To prove these reasons, consider the response of Alegre (MEI-3) when he said:

“The reason why I borrowed money was I used it as additional capital for my business and as an investment to other businesses because sometimes, our business faces recession; hence, I really have to strategize to sustain our business, and the only thing I thought of was to lend money from informal lending to keep our business going, so it is more like assistance to our business sustainability.”

Indeed, Alegre's reasons for lending money from informal lending institutions emphasize the claim that investment in capital assets contributes to the long-term sustainability of micro-businesses, ensuring they can meet customer demands and adapt to evolving market conditions. Truly, more than adequate capital can act as a financial buffer, helping micro-business owners manage risks and unforeseen expenses, such as economic downturns or unexpected operational challenges.

Similarly, borrowing for investment and capital can improve the financial stability of micro-businesses by strengthening their balance sheets and increasing their asset base. As the business grows and becomes more profitable due to capital investments, its overall value may increase, potentially attracting investors or buyers in the future. Successful micro-businesses contribute to the economic development of their communities, creating a positive ripple effect by supporting local suppliers, services, and employment.

Furthermore, it cannot be ignored that apart from additional investment and capital, the informants also considered the accessibility of informal lending institutions compared to the traditional banking systems of financial lending because the latter requires the borrower to fulfill the requirements of collateral assets before he can avail the money. Thus, the informants, having no collateral assets, resorted to informal lending institutions. Read the response of Hermoso (MEI-2) when he shared:

"I borrowed money at that time because I needed it as additional capital for my business and for me to have something to use for other businesses. Informal lending has really helped me a lot because I can still borrow even if I do not have anything to offer as collateral like land title, etc."

Indeed, informal lending institutions often provide access to capital for micro-business owners who may have limited access to formal credit sources. Also, informal lenders may not require collateral, making it accessible for micro-business owners who do not have valuable assets to pledge as security. Likewise, informal lenders may not consider the borrower's credit history or credit score, which can be beneficial for micro-business owners with limited or poor credit records. This promotes financial inclusion and entrepreneurship within the community.

Borrowing from informal lending institutions can strengthen relationships within the local community or social network, as these lenders often have a personal connection with the borrowers. Borrowing for investment and capital requires responsible financial management to ensure that borrowed funds are used effectively. It can encourage micro-business owners to develop financial discipline and budgeting skills.

Thus, micro-business owners must carefully assess the potential risks and rewards associated with borrowing for investment. They need to weigh the costs of borrowing against the anticipated returns from the investment. Borrowers must have a clear plan for repaying the borrowed funds, including the timeline and sources of repayment. Failure to repay can strain personal relationships or impact the business's financial health.

In summary, borrowing money from informal lending institutions for additional investment and capital can have a range of positive implications for micro-business owners, including business expansion, competitiveness, and community development. However, it also comes with responsibilities and the need for careful financial planning to ensure that the borrowed funds are used effectively and repaid sustainably.

The study conducted by California University (2020) on socio-economic factors that motivated beneficiaries to avail of microfinance, revealed that most of the respondents need to increase their

capital with 201 respondents. 131 said that it is a long-term loan and 128 revealed that the interest rate of the institution is low. 92 of them said that they used the loan for capital in a new business.

Perceived gains- as a businesswoman, the majority revealed that they have used the amount loaned for additional capital for their existing business. 22 of the respondents have used the money for business expansion and 92 of them said that they used it for additional capital for their businesses such as buying buy and selling (62%), handicrafts (3%), food production (5%), services (4%) and others (26%). In terms of perceived gains to attitude, 204 of them became more disciplined, 153 learned to save, fifty-nine (59) respondents developed self and group awareness and 167 became more diligent. There are also a lot of respondents who became more responsible, only seventeen (17) developed their leadership skills and 98 of the respondents learned to communicate with others (California University, 2020).

Chapter 5

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter deals with the summary of findings, conclusions, and recommendations.

The study was conducted to examine the perception of the selected micro-entrepreneurs about the effectiveness of informal money lending as their last resource in Maasim, Sarangani Province, and describe the informants' reasons for lending from informal money lenders. This was a mixed method of research by which the involved fifty (50) micro-business owner-respondents availed the use of the questionnaire, and the selected three (3) underwent the Key Informant's Interview (KII). The study utilized the use of Frequency Count, Percentage, Weighted Mean, T-Test, One-way Analysis of Variance, and Thematic Analysis to arrive at valid results.

Summary of the Findings:

These are the relevant findings based on the data gathered:

1. Most of the respondents are **female** as demonstrated by the frequency of **44 (88%)**, and fall under the age range of **28 to 37 years old** depicted in the frequency of **17 (34%)**. Similarly, **15 (30%)** of them have a monthly income of **below Php. 2,000** which is why they resorted to loans from **other people** as evidenced by the frequency of **34 (68%)**.
2. In total, the respondents have a **very high level** of perception as evidenced by the mean of **4.49 (x=4.49)**. Definitely, all the variables, i.e., cost, discretion, patience, sympathy or humanity, and reliability have very high levels of perception as perceived by the respondents as demonstrated by the means of **4.27 (x=4.27)**, **4.49 (x=4.49)**, **4.48 (x=4.48)**, **4.63 (x=4.63)**, and **4.56 (x=4.56)**, respectively.
3. The result of the t-test showed that there is a **significant difference** in the level of perception regarding the effectiveness of informal money lending when grouped according to gender. This is shown by the t-value of **22.44** which has the p-value of **0.00**. Also, the ANOVA determined that there was a **statistically significant difference** in the level of perception regarding the effectiveness of informal money lending when grouped according to age range and monthly income as evidenced by the results between groups, (**F=0.56, p = 0.02**) and (**F=0.43, p = 0.00**), respectively. However, when it was grouped according to the source of loan, the ANOVA determined that there was **no statistically significant difference** as demonstrated between groups, (**F=0.52, p = 0.06**).
4. When the informants were asked about their reasons for lending money from informal money lenders, **additional investment and capital** as a theme emerged. To them, they lack access to traditional banking services and formal credit institutions because these financial lending institutions require collateral assets from the borrower before can avail the money. Hence, they resorted to informal money lending institutions/persons because they provide an alternative source of funds when formal options are unavailable.

Conclusions

Based on the findings, it is concluded that:

1. Most of the respondents are female and fall under the age range of 28 to 37 years old. Similarly, 15 (30%) of them have a monthly income of below Php. 2,000 which is why they resorted to loans from other people.
2. Generally, the respondents have a very high level of perception regarding the effectiveness of informal money lending.
3. The results showed that there is a significant difference in the level of perception regarding the effectiveness of informal money lending when grouped according to gender, age range, and monthly income. However, when it was grouped according to the source of the loan, there was no statistically significant difference demonstrated.
4. When the informants were asked about their reasons for lending money from informal money lenders, it was due to additional investment and capital for their business.

Recommendations

Based on the findings and conclusions of the study, the following recommendations are hereby given:

1. Since it is recognized that a significant portion of respondents have a monthly income below Php 2,000, financial institutions and policymakers may develop and promote financial products and services tailored to the needs of low-income individuals, ensuring accessibility and affordability.
2. Government and non-government organizations may implement financial education and literacy programs aimed at helping individuals, especially those with limited financial resources, make informed decisions about borrowing and managing their finances effectively. These programs can empower individuals to make better financial choices.
3. Since it is acknowledged the gender-based differences in perceptions of informal lending, financial institutions may design gender-sensitive financial products and services that address the unique financial needs and constraints of women entrepreneurs. Gender-specific financial literacy programs can also be beneficial.
4. Since the impact of age on perceptions of informal lending is recognized, both government and NGOs may develop age-appropriate financial education programs that cater to the financial literacy needs of different age groups. These programs may help individuals of varying ages navigate financial decisions effectively.
5. By understanding the significance of informal money lending in the community, policymakers may consider recognizing and regulating informal lending practices to ensure fair treatment of borrowers and protect their rights while preserving the valuable role of informal lending in providing financial access.
6. Since it is recognized that many respondents borrow money for additional investment and capital for their businesses, government, and NGOs may offer entrepreneurship support programs and access to credit for small businesses to foster business growth and economic development.
7. Future researchers may continue to collect and analyze data on informal lending practices and their impact on communities. This ongoing research may provide insights into the evolving needs of micro-business owners and help inform policy decisions and financial service offerings.

These recommendations aim to address the diverse needs and challenges identified in the research findings and promote financial inclusion, responsible borrowing, and economic development within the community.

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