

MICROFINANCING FOR MARGINALIZED MICRO - ENTREPRENEURS: NEXUS FOR A COVID - RESPONSIVE PARADIGM

Keyzer Lane D. Sanchez

Instructor, College of Business and Accountancy, Cagayan Valley
Computer and Information Technology College, Inc.

Received: 2023-01-05

Accepted: 2023-02-019

Published online: 2023-03-23

Abstract

Microfinance institutions' mission is to assist micro-entrepreneurs in improving their business conditions. However, the status quo has shifted significantly since the COVID-19 pandemic struck the country. Hence, the purpose of this study is to examine the role of microfinance in improving the current conditions of the businesses of the micro-entrepreneurs. The descriptive-correlational design was utilized with a validated survey questionnaire constructed by the researcher as the primary research instrument and data collection tool. The study was conducted in the twenty-six (26) Barangays considered as rural areas of Santiago City. The number of micro-entrepreneurs chosen for this study in Santiago City was one hundred thirty (130), as determined by the G*Power 3.1 Software. The study's findings revealed that financial intermediation, social intermediation, enterprise development, and social services are important roles of micro financing in improving their businesses. Meanwhile, microfinance's financial intermediation, social intermediation, enterprise development, and social services roles had a significant impact on the micro-businesses of marginalized micro-entrepreneurs. The findings further revealed a significant relationship between the financial intermediation roles of microfinance and the effects of enterprise development on the respondents' micro-businesses. Finally, the COVID-19 pandemic has had a significant impact on the micro-businesses of marginalized micro-entrepreneurs. As a result, there is a significant relationship between and among the effects of the COVID-19 pandemic and the growth and sustainability of the respondents' businesses.

Keywords: Microfinance, Marginalized, Micro-entrepreneur, COVID-19.

1. INTRODUCTION

In recent years, researchers unveiled the importance of micro-enterprises in uplifting the economy of certain areas and mitigating the drastic fall of employability rates. These small businesses have shown resilience and adapting powers in times of crisis that many medium and large-scale enterprises could not attain. Additionally, data have also proven that micro-enterprises demonstrated a higher capacity of adjusting to the market's movements, which enables them to immediately respond to fluctuating demand in a very efficient manner (Angulo et al., 2016). Thus, it is notable that many have expressed interest in engaging in micro-enterprise. Furthermore, micro-enterprising have made significant contributions to local communities around the world.

With that, their respective government authorities encouraged areas with tougher living conditions to venture into micro-enterprising so that those left behind could utilize the new opportunities. In addition, the marginalized sector has been involved through their bids for entrepreneurship to improve their living conditions (Guerrero, 2019).

Microfinance has been lauded as one of the most significant innovations in development policy over the last 25 years on a global scale (Ahlin and Jiang 2008; Elahi and Rahman 2006). Khanam et al. (2018) emphasized that microfinance services provide not only microcredit but also ancillary services such as consulting and training for micro-enterprises, as well as market information and access to a broader market which are frequently unavailable to micro-entrepreneurs due to a lack of knowledge and bureaucratic barriers. Since the last decade, both policymakers and academics have paid close attention to the role of microfinance (Bartual Sanfeliu et al. 2013; Hermes and Lensink 2007a; Ingham et al. 2013; Knight et al. 2009). Thus, microfinance can help achieve sustainable development goals among micro-entrepreneurs (Hermes and Lensink 2011; Lock and Lawton Smith 2016; Weber and Ahmad 2014).

Currently, microfinance institutions take one of two approaches: a minimalist approach or an integrated approach. These approaches are used to conduct microfinance. The minimalist approach views low-income individuals' access to credit as the lone missing piece of the income generation puzzle. It thus views the provision of microcredit loans as a development strategy in and of itself. Meanwhile, the second approach (integrated approach) emphasizes the critical importance of providing credit and a variety of development-oriented services to the poor in order to address the structural causes of poverty. These non-financial services should typically include educational programs, community-based development initiatives, and business and capability-building training, among others.

In the context of the City of Santiago, microfinancing, the practice of providing very small loans to the poor, often with group liability, is a tool that is becoming increasingly popular for combating poverty and fostering economic expansion. The majority of micro, small, and medium-sized businesses in Santiago City are familiar with "5-6" credit or loan sharks, which are prevalent in low-income sectors and areas with limited access to financial products and services. This unfortunately makes the city's business owners more susceptible to debt and poverty. Here, few of the numerous microfinance institutions are willing to provide assistance to the underserved sector via their microcredit products. However, the status quo has shifted significantly since the COVID-19 pandemic struck the country and is now permanently scarring the country's business districts, economy, and living conditions of the country's previously marginalized micro-entrepreneurs who have struggled to keep their businesses afloat in the first place. Thus, it is critical to assess the role of microfinance in assisting marginalized micro-entrepreneurs in improving their living conditions. Previous studies

examining the role of microfinance have been conducted to ascertain the effects of the currently used approaches. However, a new context should be emphasized. The studies were conducted prior to the pandemic's impact on the entire business world. Therefore, it needs to be reinvestigated to establish a new paradigm that addresses the pandemic and is COVID – responsive. With this in mind, this study aims to investigate the role of microfinance in alleviating the current conditions of the business of the micro-entrepreneurs.

2. MATERIALS AND METHODS

This study was quantitative in nature; hence, descriptive-correlational research was employed since it aims to determine if there is a significant relationship between the role and effect of micro-finance on the businesses of marginalized micro-entrepreneurs and their business growth.

2.1 Respondents

The number of micro-entrepreneurs chosen for this study in Santiago City was one hundred thirty (130), as determined by the G*Power 3.1 Software who were currently receiving assistance from microfinance companies to grow their business.

2.2 Research Environment

The study was conducted in the twenty-six (26) Barangays considered as rural areas of Santiago City namely: Abra, Balintocatoc (Dariuk), Baluarte, Bannawag Norte, Bannawag Sur, Batal, Buenavista, Cabulay, Calaocan, Divisoria, Luna, Mabini, Nabbuan, Naggasican, Patul, Plaridel, Rizal, Rosario, Sagana, Salvador, San Andres, San Isidro, San Jose, Sinili, Sinsayon, Santa Rosa.

2.3 Research Instrument

This study used a researcher-made questionnaire which underwent a validation process. First, experts were tapped to evaluate the relevance of the questionnaire as to the purpose of the study. Their comments and suggestions were incorporated to ensure that the questionnaire is capable of generating accurate answers based on the research question. After refinement, the questionnaire underwent field test and was randomly distributed to ten (10) individuals within the vicinity. Cronbach's Alpha was used to test the reliability of the questionnaire.

The questionnaire was composed of four parts. Part 1 included questions on the role of microfinance on the business of the marginalized micro-entrepreneurs. Part 2 revealed the effects of microfinance on the micro-entrepreneurs. Part 3 also included questions on the business growth of the micro-entrepreneurs. Part 4 was composed of questions that revealed the effects of the COVID-19 pandemic to the micro-entrepreneurs and their business.

2.4 Data Gathering Procedure

The researcher first sent a formal letter to the Barangay Officials of Santiago City, requesting the names and numbers of the micro-entrepreneurs in their respective barangays. After receiving approval, the researcher visited the microentrepreneurs to obtain their participation consent. Upon receiving approval, the researcher informed the participants of the study's purpose and the measures taken to protect the confidentiality of their data. After the participants signed the informed consent form and agreed to participate in the study, the researcher distributed the questionnaire. On request, electronic copies were made available to participants. After allowing sufficient time for respondents to complete the questionnaire, the researcher tabulated the collected data and sent it to the school statistician for further statistical treatment and analysis.

3. RESULTS AND DISCUSSION

Roles of Microfinancing in Improving the Micro-Business of Marginalized Micro-Entrepreneurs

1.1 Financial Intermediation

Table 1. The Roles of Microfinancing in Improving the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Financial Intermediation with its Corresponding Mean and Descriptive Interpretation

Financial Intermediation	M	Interpretation
1. Microfinance improves access to capital, which in turn improves production and entrepreneurship.	3.48	Strongly Agree
2. Microfinance provides small loans, savings, micro-rental, micro-insurance, and money transfer to help small businesses grow and thrive.	3.49	Strongly Agree
3. As a result of microfinance, those without access to traditional banking services now have access to financial services.	3.48	Strongly Agree
4. Microfinance acknowledges the poor and micro-entrepreneurs who are excluded from or denied access to financial services due to their inability to provide tangible assets as collateral for credit facilities.	3.44	Strongly Agree
5. Microfinance improves the well-being of the poor by increasing their access to small loans that are unavailable from conventional financial institutions.	3.59	Strongly Agree
6. Microfinance provides the active poor with diverse, affordable, and dependable financial services.	3.54	Strongly Agree
Grand Mean	3.50	Strongly Agree

The table above presents the financial intermediation roles of microfinance in improving the business of the marginalized micro-entrepreneurs which resulted a general weighted mean of 3.50, suggesting that the respondents strongly agree that microfinancing offers financial intermediation roles. This means that microfinance gives a wider financial access to marginalized individuals which enable them to establish their own business and grow them.

Further, respondents also strongly agree that microfinance helps the poor and small business owners who don't have access to financial services because they can't put up tangible assets as collateral for loans.

Results also highlighted the highest weighted mean of 3.59 on indicator 5 which states "Microfinance improves the well-being of the poor by increasing their access to small loans that are unavailable from conventional financial institutions" and interpreted as "strongly agree". This only implies that microfinance improves access to capital, which in turn improves production and entrepreneurship and provides small loans, savings, micro-rental, micro-insurance, and money transfer to help small businesses grow and thrive.

Revankar, et al., (2017) supports the statement above as their study results indicated that as the concept of micro finance has emerged as a viable alternative credit channel to the poor, it has become a useful tool in building the capacity of the poor in management of sustainable self-employment activities. Microfinance enables the poor and vulnerable segments of society to obtain the necessary credit on simple terms and conditions in order to begin any income-generating activity. Reaching the poor, financial intermediation, or financial innovations that enable service expansion while significantly lowering transaction costs for both financial institutions and clients are required.

1.2 Social Intermediation

Table 2. The Roles of Microfinancing in Improving the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Social Intermediation with its Corresponding Mean and Descriptive Interpretation

Social Intermediation	M	Interpretation
1. Microfinance enhances the organized, systematic, and targeted participation of the poor in socioeconomic development.	3.62	Strongly Agree
2. Microfinance organizes a variety of activities and capacity-building has enabled people to become good borrowers and savers.	3.58	Strongly Agree
3. Microfinance creates job opportunities and increases the productivity of the country's active poor.	3.67	Strongly Agree
4. Microfinance assists in the formation of financial groups to put whatever "social capital" they have to more productive use.	3.54	Strongly Agree
5. Microfinance assists in the formation of groups for joint liability used for business establishment.	3.38	Strongly Agree
Grand Mean	3.56	Strongly Agree

As shown in the table above, the respondents strongly agree that there are social intermediation roles of the microfinancing institutions who are currently assisting them as suggested by the general weighted mean of 3.56. This means that the respondents are convinced that this type of intermediation helped them better manage their finances or their financial groups and help them to put whatever 'social capital' they have to more productive use.

The table also highlighted the indicator that vouched the highest general weighted mean of 3.67 and 3.62 respectively which indicates that microfinance creates jobs and boosts the productivity of the country's active poor, improves the poor's organized, systematic, and targeted participation in socioeconomic development, and coordinates a variety of activities and capacity-building which enabled marginalized microentrepreneurs to become good borrowers and savers.

Microcredit delivery strategies that make use of social intermediation and group-based models such as joint liability groups (JLGs), self-help groups (SHGs), and cooperatives have increased the number of low-income people who have access to various forms of financial assistance (Meinzen-Dick, Behrman, Pandolfelli, Peterman, & Quisumbing, 2014). In addition to adhering to the principles of cooperation, solidarity, ethics, and democratic self-management, these institutions provide credit that is both flexible and transparent, combining aspects of informal and institutional forms of credit.

Hence, just like the results above, the promotion of social intermediation in the microfinance industry is capable of creating new attitudes and self-perceptions as well as new systems and institutions, which in turn, can promote self-reliance, confidence, trust and empowerment amongst the clients.

1.3 Enterprise Development

Table 3. The Roles of Microfinancing in Improving the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Enterprise Development with its Corresponding Mean and Descriptive Interpretation

Enterprise Development	M	Interpretation
1. Microfinance offers training and seminars to help people start small businesses.	3.43	Strongly Agree
2. Microfinance assists micro-entrepreneurs with marketing their small businesses.	3.43	Strongly Agree
3. Microfinance facilitates activities that help micro-entrepreneurs hone their entrepreneurial skills.	3.75	Strongly Agree
4. Microfinance advises micro-entrepreneurs on the best micro-enterprise to start.	3.62	Strongly Agree
5. Microfinance assists micro-entrepreneurs with business survival.	3.86	Strongly Agree
Grand Mean	3.62	Strongly Agree

The preceding table above shows the mean on the roles of microfinancing in improving the micro-business of the marginalized micro-entrepreneurs in terms of enterprise development. It has been revealed that the respondents generally strongly agree that the enterprise development role of microfinance is really helpful in alleviating the conditions of their business.

The highest weighted mean of 3.86 is indicator 5 which states "microfinance assists micro-entrepreneurs with business survival". This only implies that establishing and nurturing business associations so that they can organize workshops, provide

support and mentoring programmes, facilitate access to credit and to markets, undertake advocacy, and provide best practice exchanges.

This is consistent with the results of Guerin (2016) that enterprise development assistance from microfinance affects the growth of the enterprises to a very great extent. Understanding this is important for transitional economies where small business development is integral to successfully building a market economy. As a result, microfinance has become an important policy tool for transitional economies in stimulating small business sector development, albeit without a clear empirical understanding of how it drives entrepreneurial behavior (Shahriar & Garg, 2017).

1.4 Social Services

Table 4. The Roles of Microfinancing in Improving the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Social Services with its Corresponding Mean and Descriptive Interpretation

Social Services	M	Interpretation
1. Microfinance organizes a micro-entrepreneur education campaign.	3.53	Strongly Agree
2. Health and nutrition seminars are made possible through microfinance.	3.43	Strongly Agree
3. Microfinance assists micro-entrepreneurs in learning how to manage inventories, cash flows, and financial.	3.25	Strongly Agree
4. Microfinance provides literacy training.	3.32	Strongly Agree
5. Microfinance teaches best practices in business.	3.33	Strongly Agree
Grand Mean	3.37	Strongly Agree

As shown from the table above, the respondents strongly agree that the microfinance that currently assists them have roles such as social services as gleaned from the general weighted mean of 3.37 and implies that providing social intermediation services such as social ties empowerment, confidence building, and financial literacy and management capabilities enhancement, etc., among members of a group (Kalyango, 2009) boosts a financially literate client base.

A large body of empirical evidence suggests that social networks significantly impact on access to and use of financial services provided by financial intermediaries, especially among poor households in rural areas. Bourdieu and Wacquant (2012) argue that network ties (social services), which creates trust and forbearance among actors can result into access to scarce resources such as credit/loans by poor households.

The authors also support the social services role of intermediation as they emphasized in their study that participation by poor households in local social networks make it easier for them to reach collective action as a result of increase in availability of information that lowers transaction costs and opportunistic behaviour. Therefore, poor households seeking credit may get reliable information about lending institutions from their established network ties.

Effects of Microfinance on the Micro-Business of the Marginalized Micro-Entrepreneurs

2.1 Financial Intermediation

Table 5. The Effects of Microfinance on the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Financial Intermediation with its Corresponding Mean and Descriptive Interpretation

Financial Intermediation	M	Interpretation
1. The micro-business achieved financial independence by providing the necessary capital to begin operations.	3.21	Moderate Extent
2. Being financially literate through financial training in order to prepare bookkeeping, cash flow management, and other business-related skills	3.07	Moderate Extent
3. Microfinance has aided the businesses of marginalized micro-entrepreneurs as their earning power has increased.	3.17	Moderate Extent
4. The micro-financial business's needs are met.	3.33	Great Extent
5. Entrepreneurs grew their businesses.	3.51	Great Extent
Grand Mean	3.26	Great Extent

Results on the table above shows the effects of financial intermediation of microfinance on the microbusiness of the marginalized micro-entrepreneurs. Overall, the respondents perceive that microfinance has a great extent of effect on the micro-entrepreneurs' business. Further, the indicators 1, 4 and 5 vouched the highest weighted mean which states "the micro-business achieved financial independence by providing the necessary capital to begin operations"; "the micro-financial business's needs are met", and "entrepreneurs grew their businesses". This only means that financial intermediation and assistance offered by microfinance institutions greatly affect the operations of the business.

Similarly, the study of Beck et, al. (2006) also found out that the provision of microfinance services in the form of small collateral-free loans, and savings facilities has, thus, evolved as a vital alternative for poor households to smooth consumption, start their own businesses, cushion income shocks and improve living conditions. This culture has been enhanced because low income earners who were unable to save with the traditional banks are now being offered an opportunity to do so and has helped improve capitalization since a high portion of the savings is used to recapitalize their businesses.

2.2 Social Intermediation

Table 6. The Effects of Microfinance on the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Social Intermediation with its Corresponding Mean and Descriptive Interpretation

Social Intermediation	M	Interpretation
1. Microfinance reduced unemployment in the marginalized sector.	3.32	Great Extent
2. Microfinance created social groups that act as a support network for micro-entrepreneurs and their businesses.	3.40	Great Extent
3. Microfinance aided entrepreneurs in forming self-help groups.	3.22	Moderate Extent
4. Microfinance aided entrepreneurs in establishing individual banking programs in the form of joint liability groups.	3.32	Great Extent
Grand Mean	3.32	Great Extent

Results from the table above reveals that the respondents observe that the social intermediation role of microfinance institution has a great extent of effect in improving the conditions of their micro-business as reflected in the general weighted average of 3.32. However, there is only a moderate effect on the aspect where microfinance aids helps entrepreneurs in forming self-help groups. Moreover, a great effect is seen on the aspect that microfinance has created social groups that act as a support network for micro-entrepreneurs and their businesses to achieve success and growth.

Additionally, previous studies like Okten and Osili (2014), Van Bastelaer (2010), Karlan (2017) and Ahlin and Townsend (2017) indicate that social networks lead to sharing of information about availability of credit opportunities. Conclusively, social networks provide useful information for screening, selecting creditworthy poor households, and peer monitoring, thus, expanding the scope of financial inclusion beyond the current sphere.

Therefore, social networks provide information about existing sources of financial services among poor households in rural areas. Evidently, social networks help the poor to access credit as well as encourage them to maintain their social ties.

2.3 Enterprise Development

Table 7. The Effects of Microfinance on the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Enterprise Development with its Corresponding Mean and Descriptive Interpretation

Enterprise Development	M	Interpretation
1. Microfinance increased micro-entrepreneurs' knowledge of how to run and sustain their small businesses.	3.44	Great Extent
2. Micro-entrepreneurs were successful in establishing a long-term small business.	3.70	Great Extent
3. Microfinance enhanced the entrepreneurial characteristics of micro-entrepreneurs, which will assist them in running their businesses.	3.63	Great Extent
4. Micro-entrepreneurs are capable of marketing their small business.	3.70	Great Extent
5. Microfinance increased the rate of enterprise survival.	3.51	Great Extent
6. Micro-entrepreneurs learned and applied best practices for starting and running a micro-business.	3.47	Great Extent
7. Microfinance provided micro-entrepreneurs with business management, customer service, technical, analytical, and financial skills.	3.47	Great Extent
Grand Mean	3.56	Great Extent

The preceding table conveys the results on the effects of enterprise development role of microfinancing on the business of the identified marginalized micro-entrepreneurs. It can be observed on the results shown above that the general weighted mean is 3.56, descriptively interpreted as "great extent". This reflects a

positive outlook of the respondents on the effects brought about by microfinance in developing their small business.

On the other hand, the respondents positively believes that the long term of effect of microfinancing is that they were able to establish a long-term small business while they believed that they learned and eventually applied the best practices in running and managing a micro-business.

Asman and Diaymette (2006) confirms that microfinance have become increasingly involved in providing financial services to entrepreneurs focused on economic improvement and enterprise development of the poor. There is continuing and quite rapid improvement in understanding how financial services for the poor can best be provided. As part of this learning process, microfinance practitioners, donors, and governments have been interested in knowing to what extent these credit interventions impact the beneficiaries. Microfinance also helps safeguard poor households against the extreme vulnerability that characterizes their everyday existence. Loans, savings, and insurance help smooth out income fluctuations and maintain consumption levels even during lean periods (Brockhaus, 2001).

1.3 Social Services

Table 8. The Effects of Microfinance on the Micro-Business of Marginalized Micro-Entrepreneurs in terms of Social Services with its Corresponding Mean and Descriptive Interpretation

Social Services	M	Interpretation
1. Microfinance aided in the conduct of micro-entrepreneur education.	3.50	Great Extent
2. Microfinance aided entrepreneurs in attending health and nutrition seminars.	3.38	Great Extent
3. Microfinance taught micro-entrepreneurs how to manage inventories, cash flows, and financial matters.	3.30	Great Extent
4. Microfinance assisted entrepreneurs in becoming literate enough through literacy training.	3.51	Great Extent
5. Micro-entrepreneurs learned the best practices in business.	3.59	Great Extent
Grand Mean	3.46	Great Extent

Table 8 exhibits the mean on the effects of social services role of microfinance on the micro-business of the marginalized micro-entrepreneurs. As can be seen in the results, the respondents find that there is a great extent of effects brought about by microfinance in growing their business since the general weighted mean is 3.46 and interpreted as "great extent". More importantly, results on indicator 5 which states "micro-entrepreneurs learned the best practices in business" showed the highest extent of effect against the other indicators of social services. Thus, among the important indicators, this is viewed as the most important aspect in assisting the business towards its growth and prosperity.

Biggs, Raturi, and Srivastava (2002) suggest in their study that in accessing financial services, social networks help poor households by supplying information and it

acts as a mechanism for enforcement. The finding is consistent with Ghatak and Guinnane (2001) who argue that availability of information through social networks help solve the problem related to providing loans to poor households and it enhances their capacity to access credit from financial intermediaries such as banks. They were also able to observe the same results as the present study wherein social ties and the resulting potential for sanctions between poor households help to mitigate adverse selection and moral hazard problems in joint liability lending contract, especially when borrowers enjoy a social leverage with one another that extends beyond the lending contract.

Relationship between the Roles and Effects of Microfinancing to the Micro-Business of the Marginalized Micro-Entrepreneurs and the Growth of their Business

Table 9. Test of Relationship between the Roles of Microfinancing and its Effects of Microfinancing to the Micro-business of the Marginalized Micro-Entrepreneurs

Pearson's Correlations					
	Variable	Effects Of Microfinancing			
		Financial Intermediation	Social Intermediation	Enterprise Development	Social Services
Roles Of Micro-Financing	Financial Intermediation	—			
	Social Intermediation	0.062	—		
	Enterprise Development	-0.006	0.005	—	
	Social Services	-0.042	0.324	0.495	—
		0.625	< .001	< .001	—
Significant At .05 Level.					

The foregoing table shows the test of relationship between the roles and effects of microfinancing to the micro-business of the marginalized micro-entrepreneurs. It is worth noting that there is a significant relationship between the roles and effects of microfinancing in terms of enterprise development and financial intermediation. Moreover, there are also significant results on the social services aspect and social intermediation. This means that financial intermediation directly affects enterprise development roles of microfinancing and vice versa. This only means that the financial roles of microfinancing helps the respondents develop their own business and run enterprises. Further, changes in the results of social services can significantly affect the social intermediation roles of microfinance to the business of the micro-entrepreneurs. On the contrary, for the rest of the dimensions, there was no significant relationship flagged which means that these variables do not directly affect the other variables. However, the perception of respondents is relative in these areas; consequently, the null hypothesis is rejected as there were variables which showed significant results.

Therefore, there is a significant relationship between the financial intermediation, enterprise development, social services and social intermediation aspect of microfinancing.

Several studies have been conducted on the impact of microfinance on the growth of SMEs. SMEs require capital injections to facilitate operations and growth, but the existence of a financing gap necessitates the use of microcredit to bridge the gap (Waliula, 2013). Similarly, Olowe et al. (2013) found that credit from MFIs has a positive significant impact on the growth of SMEs, while loan duration had a positive but not significant impact. The study also claimed that high loan interest rates, collateral requirements, and loan repayment speed can stifle SMEs' growth. They also stated that loan amount and loan duration have a positive and significant effect on SMEs' growth, implying that increasing loan amount and loan duration improves SMEs' performance. Interest rates, loan repayment, and loan collateral, on the other hand, have a negative and significant impact on enterprise growth. The preceding findings are also supported by Mahmood and Rosli (2013)'s study, which found that MFI loans help SMEs improve their performance in terms of product innovation, market share, achieving market excellence, and overall competitive advantage, thus explaining the findings of this study.

Growth and Sustainability of the Micro-Business of the Micro-Entrepreneurs Currently Supported by Microfinance

Table 10. Growth and Sustainability of the Micro-business of the Micro-Entrepreneurs Currently Supported by Microfinance with its Corresponding Mean and Descriptive Interpretation

Business Growth and Sustainability		M	Interpretation
1.	The sales growth of the business is constantly growing.	3.19	Agree
2.	The business' product demand is high and is profitable.	3.65	Strongly Agree
3.	The overall financial rating of the business has increased as a result of the assistance from microfinance.	3.33	Strongly Agree
4.	Business revenue of the business has increased.	3.38	Strongly Agree
5.	The small business is at par with its competitors.	3.36	Strongly Agree
6.	The small business is doing well and has expanded its market.	3.51	Strongly Agree
7.	The micro-entrepreneurs were able to acquire something from the profit of the business.	3.23	Agree
8.	The value of assets, capital invested, production capacity, and workforce size have increased	3.38	Strongly Agree
9.	The micro-enterprise has established its customers.	3.46	Strongly Agree
10.	The business has improved significantly.	3.43	Strongly Agree
11.	The business has enhanced economic growth	3.43	Strongly Agree
12.	The business achieved higher return on assets	3.34	Strongly Agree
13.	The business increased return on equity	3.51	Strongly Agree
14.	The business increased internal rate on return	3.48	Strongly Agree
15.	The business reduced business costs	3.57	Strongly Agree
16.	The business achieved superior stock market performance	3.62	Strongly Agree
17.	The business developed more innovative strategies	3.40	Strongly Agree
18.	The business improved company reputation	3.57	Strongly Agree
19.	The business has more new customers	3.47	Strongly Agree
Grand Mean		3.44	Strongly Agree

Table 10 presents the growth and sustainability of the business of the marginalized micro-entrepreneurs who are currently supported by microfinance. It can be discerned in the results that the general weighted mean of 3.44 with a descriptive value of “strongly agree”. Hence, the respondents strongly believe that their business and growing and leaning towards sustainability through the assistance of the approaches of the microfinance institutions.

Furthermore, it can also be observed that the respondents strongly agree that their business’ product demand is high and is profitable, has reduced business costs and improved their business reputation as reflected in the general weighted mean of 3.65, 3.57 and 3.51 respectively. This means that the respondents are convinced that their micro-business is at the journey of growth since they were able to enhance their business’ economic growth and minimized the costs incurred for their business.

An empirical evidence to this result emerged from the study that Mkazi (2017) conducted about the performance of microfinance institutions lending on micro and small businesses. The research has so far yielded mixed results that are inconclusive, particularly for developing countries like Kenya. Zeller and Sharma (2013) provided additional proof that microfinance can assist in the improvement or establishment of small businesses, which has the potential to be the deciding factor in eradicating poverty and living a life that is financially secure. As a result of this, the Philippines have found that expanding access to credit is not associated with a rise in the amount of money that is invested in businesses, but rather with a rise in profits, particularly for men and for men who have higher incomes (Karlan and Zinman, 2010).

Effects of COVID-19 Pandemic to the Business of the Micro-Entrepreneurs

Table 14. The Effects of COVID – 19 to the Business of the Micro-Entrepreneurs with its corresponding Mean and Descriptive Interpretation

Effects of the COVID-19 Pandemic		M	Interpretation
1.	Total to a partial closure of the micro-business.	3.38	Great Extent
2.	Limited number of customers.	3.22	Moderate Extent
3.	Inability to purchase supplies for sale.	3.06	Moderate Extent
4.	Limited delivery of key goods to purchase.	2.98	Moderate Extent
5.	Reduction of business capital.	3.13	Moderate Extent
6.	Delay in payments of customers.	3.23	Moderate Extent
7.	Increase in the price of supplies.	3.39	Great Extent
8.	The business is struggling to sustain its operation.	3.64	Great Extent
9.	Lockdowns and restrictions restricted the operations of the business.	3.32	Great Extent
10.	Income and profit losses.	3.49	Great Extent
Grand Mean		3.28	Great Extent

The foregoing results on the table above show the mean on the effects of COVID – 19 Pandemic to the business of the marginalized micro-entrepreneurs. It can be observed that the respondents believe that the pandemic has greatly affected their business operations as established by a general weighted mean of 3.28 and descriptive interpretation of “great extent”. This only means that like other businesses in the world, these micro and small businesses run by the marginalized sector also suffered from the repercussions brought about by the pandemic and the decline of the world economy.

It is also noteworthy that what greatly affected the business of the respondents are lockdowns and restrictions which caused a limited to stagnant business operations. The respondents’ also felt a great effect on profit losses due to increase in supply prices.

The coronavirus pandemic engendered a global crisis that, unlike most other crises in world history, entails both supply and demand shocks. Similar sentiments with the respondents are felt in the study of Lindsay et, al. (2020) they reveal that more than half of SMEs have had substantial revenue loss and fear to be out of business within a quarter unless public assistance is available and extended over the duration of the crisis. There is evidence that SMEs are increasingly digitizing operations to adapt to changing circumstances, but temporary closures, employment and wage reductions, and bankruptcies have occurred.

Relationship between the Effects of the COVID-19 Pandemic and the Growth and Sustainability of the Micro-Business of the Micro-Entrepreneurs Currently Supported by Microfinance

Table 15. Test of Relationship Between the Effects of the COVID-19 Pandemic and the Growth and Sustainability of the Business of the Marginalized Micro-entrepreneurs

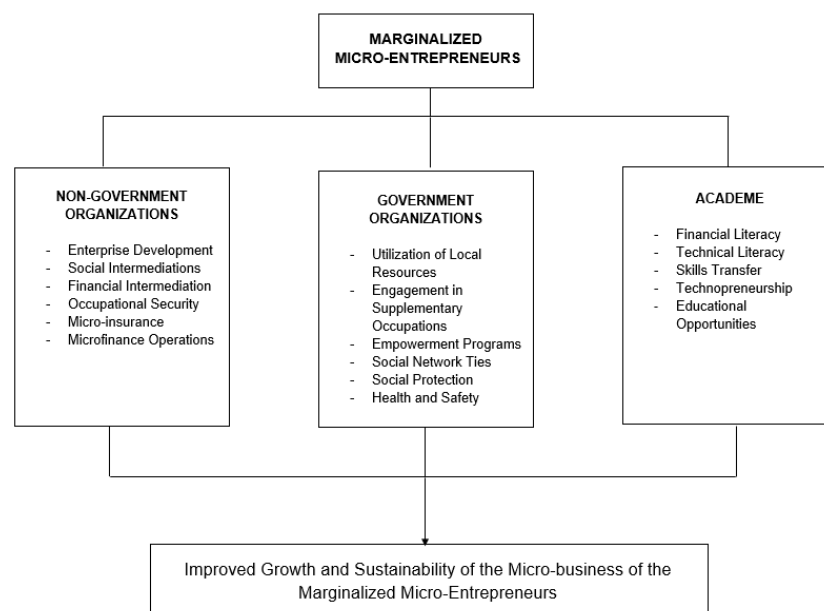
<i>Pearson's Correlations</i>		
Variable	GROWTH AND SUSTAINABILITY OF THE BUSINESS	
EFFECTS OF COVID-19	r	p-value
	-0.478	< .001
Significant at .05 level		

The table above shows the test of relationship between the effects of the COVID – 19 Pandemic and the growth and sustainability of the micro-business of the marginalized micro-entrepreneurs who are currently supported by microfinance. From the results projected above, it is notable that the COVID – 19 Pandemic has greatly affected the growth and sustainability of the business owned by marginalized micro-entrepreneurs which is reflected from table 12. This only means that there is a significant relationship between the effects of COVID – 19 and the growth and sustainability of the micro-business. This only suggests that the null hypothesis is rejected.

Same is true, in a matter of months, the coronavirus disease 2019 (COVID-19) has greatly affected businesses, especially micro, small, and medium enterprises (MSMEs), which comprise the majority of all businesses in the country. MSMEs are the largest source of employment and delivery of goods and services in lower income economies; hence disruptions to this segment have major social and welfare implications for the poor and rural populations. What is more, permanent closures of small enterprises result in a loss of intangible capital, skills and innovation capacity that risk locking countries into deep recessions long after the pandemic. COVID has led to massive increases in uncertainty that is likely leading firms to postpone investments in capital, skills and innovation – with likely scars for the post-COVID recovery. Measuring uncertainty is not straightforward, with scarce data for developing economies. SMEs typically report higher uncertainty over sales than larger firms, in part, due to poorer access to information and due to the fact that sales are where the impact by firm size is more severe (Timmis, et al, 2020). This only proves how great is the effect of COVID in impeding the growth and sustainability of businesses.

Proposed COVID – Responsive Paradigm as a New Approach of Microfinance for Marginalized Micro-entrepreneurs

The effects of the COVID-19 pandemic have been felt around the world in unprecedented and historic ways. Organizations and individuals are grappling with the virus's implications as the new reality of the pandemic sinks in. While empathic pro-employee responses have been common in the short term, organizations have also made significant changes to the way and where employees work. Both actions appear reasonable and prudent at first glance. Hence, a new approach is proposed to address the paradigm shifts and the long-term implications of the pandemic. The paradigm is illustrated below:



4. CONCLUSION

1. The results of the study confirm that the respondents strongly agree that the roles of microfinancing in improving their business are financial intermediation, social intermediation, enterprise development and social services.

2. As for the effects of microfinancing, the financial intermediation, social intermediation, enterprise development and social services roles of microfinance showed great extent of effect in improving the micro-business of the marginalized micro-entrepreneurs.

3. There is a significant relationship on the financial intermediation roles of microfinance and the effects of enterprise development to the micro-business of the respondents. Further, social services and social intermediation are also interrelated and relatively affect one another. However, social services and financial intermediation showed non-significant results.

4. The respondents strongly believe that their business and growing and leaning towards sustainability through the assistance of the approaches of the microfinance institutions.

5. The COVID-19 pandemic has greatly affected the micro-business of the marginalized micro-entrepreneurs.

6. There is a significant relationship between and among the effects of COVID-19 pandemic and the growth and sustainability of the respondents' business.

7. A COVID-Responsive Paradigm is proposed as a new approach of Microfinance Institutions in assisting the micro-business of the marginalized micro-entrepreneurs.

References

- Achtenhagen, L., Naldi, L., & Melin, L. (2010). "Business growth": do practitioners and scholar really talk about the same thing? *Entrepreneurship Theory and Practice*, 34(3), 289-316. <http://dx.doi.org/10.1111/j.1540-6520.2010.00376.x>.
- Ahlin, C., & Jiang, N. (2008). Can micro-credit bring development. *Journal of Development Economics*, 86, 1-21. <https://doi.org/10.1016/j.jdeveco.2007.08.002>.
- Al-Mamun, A., Mazumder, M., & Malarvizhi, C. (2014a). Measuring the effect of Amanah Ikhtiar Malaysia's microcredit programme on economic vulnerability among hardcore poor households. *Progress in Development Studies*, 14(1), 49-59. <https://doi.org/10.1177/1464993413504351>
- Angulo, N., Mungaray-Lagarda, A., Aguilar-Barceló, J., & Acosta, R. (2016). *An explanation of the profitability and market power of marginalized micro-enterprises*. 10.13140/RG.2.1.3127.6567.
- Appiah, K. O., Turkson, J. K., & Hagan, P. (2019). The Role of Micro Financial Institutions in Ghana: The Small and Medium Enterprise Perspective. *Global Business & Economics Anthology*, 2, 156-163.

- <https://ssrn.com/abstract=1640038>
- Arthur, C., Fan, H., & Esther, W. (2019). Strategies for Efficiently Expanding the Operations of Kiva.org. BEM 106: *Competitive Strategy*. Retrieved from www.mcafee.cc/Classes/BEM106/Papers/2009/Kiva.pdf
- Awuah, S. B., & Addaney, M. (2016). The Interactions between Microfinance Institutions and Small and Medium Scale Enterprises in the Sunyani Municipality of Ghana. *Asian Development Policy Review*, 4(2), 51-64. <https://doi.org/10.18488/journal.107/2016.4.2/107.2.51.64>
- Bartual Sanfeliu, C., Cervelló Royo, R., & Moya Clemente, I. (2013). Measuring performance of social and non-profit Microfinance Institutions (MFIs): An application of multi-criterion methodology. *Mathematical and Computer Modeling*, 57(7-8), 1671-1678. <https://doi.org/10.1016/j.mcm.2011.11.010>
- Bhasin, V. K., & Akpalu, W. (2011). *Impact of micro-finance enterprises on the efficiency of micro-enterprises in Cape Coast*. University of Cape Coast, Department of Economics. Retrieved from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/documents/publication/wcm_041874.pdf
- Bhatt, N. and Tang, S.Y. (2011). Delivering microfinance in developing countries: Controversies and policy perspectives, *Policy Studies Journal*, 29(2), 319-333.
- Brush, C. G., Ceru, D. J., & Blackburn, R. (2019). Pathways to entrepreneurial growth: the influence of management, marketing, and money. *Business Horizons*, 52(5), 481-491. <http://dx.doi.org/10.1016/j.bushor.2009.05.003>
- Davidsson, P., Achtenhagen, L., & Naldi, L. (2010). Small firm growth. *Foundations and Trends in Entrepreneurship*, 6(2), 69-166. <http://dx.doi.org/10.1561/03000000029>
- Department of Trade and Industry (2015), "MSME statistics", available at: www.dti.gov.ph/businesses/msmes/msme-resources/msme-statistics (accessed December 2017).
- Doern, R. (2009). Investigating barriers to SME growth and development in transition environment": a critique and suggestions for developing the methodology. *International Small Business Journal*, 27(3), 275-305. <http://dx.doi.org/10.1177/0266242609102275>
- Elahi, K., & Rahman, M. (2016). Micro-credit and Micro-Finance: Functional and Conceptual Differences. *Development in Practice*, 16(5), 476-483. <https://doi.org/10.1080/09614520600792481>
- Falkena et al. (n.d.) Smes' Access to Finance in South Africa – A Supply-Side Regulatory Review. *The Task Group of the Policy Board for Financial Services and Regulation*. Retrieved from <http://www.treasury.gov.za/publications/other/Access%20to%20Finance%20in%20South%20Africa%20%20A%20SupplySide%20Regulatory%20Review.Pdf>
- Fauster, A. (2014). The Impact of Micro-Finance on the Performance of Small-Scale Enterprises: A Comparison of Sinapi Aba Trust and Maata-N-Tudu Associations in

- Wa Municipality, Ghana. *Ghana Journal of Development Studies*, 11(2), 1-13.
<http://dx.doi.org/10.4314/gjds.v11i2.1>
- Geurrero, P. (2019). *Using Entrepreneurship to Empower the Marginalized*. Medium.
<https://medium.com/nonviolenceny/using-entrepreneurship-to-empower-the-marginalized-7ad22eb53652>
- Headd, B., & Kirchhoff, B. (2019). The growth, decline and survival of small businesses: an exploratory study of life cycles. *Journal of Small Business Management*, 47(4), 531-550. <http://dx.doi.org/10.1111/j.1540-627X.2009.00282.x>.
- Hermes, N., & Lensink, R. (2011). Microfinance: Its Impact, Outreach, and Sustainability. *World Development*, 39(6), 875-881.
<https://doi.org/10.1016/j.worlddev.2009.10.021>.
- Hermes, N., & Lensink, R. (2017a). The empirics of microfinance: what do we know? *The Economic Journal*, 117(517), F1-F10. <https://doi.org/10.1111/j.1468-0297.200p02013.x>
- Imai, K., Gaiha, R., Thapa, G., & Ananim, S. (2012). Microfinance and Poverty—A Macro Perspective. *World Development*, 40(8), 1675-1689.
- Ingham, M., Grafé-Buckens, A., & Tihon, A. (2013). Bank-Based Microfinance: From Peripheral to Integrated Responsibility Toward Sustainability. *Strategic Change*, 22(1-2), 107-119. <https://doi.org/10.1002/jsc.1925>
- Janssen, F. (2019a). Do manager's characteristics influence the employment growth of SMEs? *Journal of Small Business and Entrepreneurship*, 19(3), 293-315.
<http://dx.doi.org/10.1080/08276331.2006.10593372>
- Janssen, F. (2019b). Does the environment Influence the employment growth of SMEs? *Journal of Small Business and Entrepreneurship*, 22(3), 311-326.
<http://dx.doi.org/10.1080/08276331.2009.10593458>.
- Janssen, F. (2019c). The conceptualization of growth: are employment and turnover interchangeable criteria? *The Journal of Entrepreneurship*, 18(21), 21-45.
<http://dx.doi.org/10.1177/097135570801800102>
- Julien, P.A. (2012). *Les PME à forte croissance. L'exemple de 17 gazelles dans 8 régions du Québec*. Sainte-Foy: Presses de l'Université du Québec.
- Karlan, D., & Valdivia, M. (2010). *Teaching entrepreneurship: impact of business training on microfinance clients and institutions*. *Innovations for Poverty Action and the Abdul Latif*. Jameel Poverty Action Lab. Massachusetts Institute of Technology. New Haven: Yale University. Retrieved from
http://karlan.yale.edu/p/TeachingEntrepreneurship_revision_jan2010.pdf (accessed on July 24, 2014).
- Kessy, S. A and Urio, F (2016) *Contribution of a microfinance institution in poverty reduction* in, REPOA
- Khanam, D., Mohiuddin, M., Hoque, A., & Weber, O. (2018). Financing micro-entrepreneurs for poverty alleviation: a performance analysis of microfinance services offered by BRAC, ASA, and Proshika from Bangladesh. *Journal of Global Entrepreneurship Research*. 8. 10.1186/s40497-018-0114-6.

- Kisaka, E. S., & Mwewa, N. M. (2014). Effects of micro-credit, micro-savings and training on the growth of small and medium enterprises in Machakos County in Kenya. *Research Journal of Finance and Accounting*, 5(7), 43-49.
- Knight, T., Hossain, F., & Rees, C. (2019). Microfinance and the commercial banking system: perspectives from Barbados. *Progress in Development Studies*, 9(2), 115-125. <https://doi.org/10.1177/146499340800900203>.
- Kota, I. (2007). Microfinance: banking for the poor. *Finance and Development*, 44(2), 44. Retrieved from <http://search.proquest.com/docview/209374669?accountid=42821>
- Laylo, A. (2018). Macro-level enabling conditions for the formation of social business enterprises in the Philippines. *Asia Pacific Journal of Innovation and Entrepreneurship*. 12. 5-13. 10.1108/APJIE-12-2017-0044.
- Ledgerwood, J. (1999). *Microfinance handbook: an institutional and financial perspective*. Washington: World Bank.
- Leitch, C., Hill, F., & Neergaard, H. (2010). Entrepreneurial and business growth and the quest for a "comprehensive theory": tilting at Windmills? *Entrepreneurship Theory and Practice*, 34(1), 249-260. <http://dx.doi.org/10.1111/j.1540-6520.2010.00374.x>.
- Llanto, G. (2014). *Is the promise being fulfilled? Microfinance in the Philippines: Status, issues, and challenges*, PIDS Policy Notes No. 2004-10. Makati City: Philippine Institute for Development Studies.
- Lock, R., & Lawton Smith, H. (2016). The impact of female entrepreneurship on economic growth in Kenya. *International Journal of Gender and Entrepreneurship*, 8(1), 90-96.
- Mashigo, P. (2014). Microcredit: A government strategy for micro-enterprise development in South Africa. *Journal of Public Administration*, 49(2), 485-498. Retrieved from <http://hdl.handle.net/10520/EJC158065>
- McKelvie, A., & Wiklund, J. (2010). Advancing firm growth research: a focus on growth mode instead of growth rate. *Entrepreneurship Theory and Practice*, 34(1), 261-288. <http://dx.doi.org/10.1111/j.1540-6520.2010.00375.x>
- Kota, I. (2017). Microfinance: banking for the poor. *Finance and Development*, 44(2), 44. Retrieved from <http://search.proquest.com/docview/209374669?accountid=42821>
- Matin, I., Hume, D., & Rutherford, S. (2012). Finance for The Poor: From Microcredit To Financial Services. *Journal of International Development*, 14, 273-294. <https://doi.org/10.1002/jid.874>.
- Micu, N. (2010). *State of the art of microfinance: A narrative*. Pinoy Me Foundation, Ninoy and Cory Aquino Foundation, and Hanns Seidel Foundation. Retrieved from <http://www.hss.de/fileadmin/suedostasien/philippines/downloads/100301-State-of-the-Art-of-Microfinance.pdf>, August 21, 2013.
- Nitin, B., Tang, S.Y. (2011). "Delivering microfinance in developing countries: controversies and policy perspectives". *Policy Studies Journal* 29 (2): 319-334.

- Omboi and Wangai (2011) *income of a small-scale entrepreneur*. Available on[<http://www.researchgate.net/publication/283725590-the-small-scale-enterprisepformance/>]
- Penrose, E. (2006). A teoria do crescimento da firma. Campinas: Editora da Unicamp.
- Rauch, A. & Rijskik, S.A. (2013). The effects of general and specific human capital on long-term growth and failure of newly founded businesses. *Entrepreneurship Theory and Practice* (3), 923-941.
- Rodman, D. (2010) *what is microfinance?*/center for global development/<https://www.cgdev.org/blog/what-microfinance>
- Rutherford, S. and Arora, S. (1997), *City Savers*. New Delhi: Department for International Development.
- Schreiner, M., &Colombet, H. (2001). From Urban to Rural: Lessons for Microfinance from Argentina. *Development Policy Review*. 19. 339-354.
10.1111/1467-7679.00138.
- Soares, M., Melo-Sobrinho, A. (2007). *Microfinanças: o papel do Banco Central e a Importância do cooperativismo de crédito*. Brasília: Banco Central do Brasil, 171 p.
- Thio, R. (2006). *The impact of Microfinance on Micro and Small Enterprise's Performance and the improvement of their Business Opportunity* (No. 200601). Department of Economics, Padjadjaran University.
- URT (2003) *Small and medium enterprise policy development*.
Website <https://www.unido.org/>
- Vetrivel, S. &Kumarmangalam, S. (2010). Role of Microfinance Institutions in Rural Development.
International Journal of Information Technology and Knowledge Management
- Weber, O., & Ahmad, A. (2014). Empowerment Through Microfinance: The Relation Between Loan Cycle and Level of Empowerment. *World Development*, 62, 75-87.
<https://doi.org/10.1016/j.worlddev.2014.05.012>.
- Woller, G., Woodworth, W. (2001). "Microcredit as a grass-roots policy for international development". *Policy Studies Journal*, 20 (2): 267-282.
- World Bank (2007) *supporting growth oriented women entrepreneurs*.
<https://documented.worldbank.org/curated/en/supporting-growth-oriented-women-entrepreneurs>.
- Zapalska, A., Stodder, J., & Wingrove-Haugland, E. (2017). Female Micro-Entrepreneurship: The Key to Economic Growth and Development in Islamic Economies. In *Entrepreneurship and Management in an Islamic Context* (pp. 179-206). Cham: Springer.