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Assessing the Efficiency of Microfinance Institutions in Delivering Services to Micro and Small Enterprises

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Abstract

Aim: This study assesses the efficiency of microfinance institutions in delivering services to micro and small enterprises in Laguna, Philippines. The findings reveal significant differences in loan implementation and policy efficiency across locales, highlighting the need for context-specific approaches to improve MFI performance.

Methodology: The study design is mainly quantitative in approach using evaluation and survey designs under the descriptive method. This study utilized purposive sampling. The population of the study covered the micro and small enterprise owners and operators from the three 5th class municipalities of Rizal, Famy, and Mabitac of the 3rd and 4th congressional districts and the progressive cities in the first congressional district namely San Pedro, Binan, and Sta. Rosa of Laguna that availed the microfinance services of Micro-Financing Institutions. A total of 172 questionnaires handed to business owners and operators of micro and small entereprises.

Results: The hypothesis was accepted and concludes that there is no significant difference in the level of efficiency on micro finance services when grouped according to locale of the study in terms of the objectives of the program since the computed F-value of 2.01 is less than the tabular F-value of 2.92 using 0.05 level of significance. Data implies that the objectives of the program do not differ when grouped according to locale of the study. There is a significant difference in the level of efficiency of micro finance services when grouped according to locale of the study in terms of the implementation of the loan since the computed F-value of 3.25 is greater than the tabular F-value of 2.92 using 0.05 level of significance. Findings reveal that the implementation of the loan differ when grouped according to locale of the study. Since the computed F-value of 3.13 is greater than the tabular F-value of 2.92 using 0.05 level of significance, the hypothesis was rejected and concludes that there is a significant difference in the level of efficiency of micro finance services when grouped according to locale of the study in terms of policy. Findings show that implementation of the policy differ when grouped according to locale of the study.

Conclusion: This study assesses the efficiency of microfinance institutions (MFIs) in Laguna in supporting micro and small enterprises (MSEs), with service delivery measured through loan completion, capital access, and asset growth. Results showed a significant positive relationship between MFI efficiency and the extent of service delivery, indicating that more efficient institutions are better positioned to meet client needs. Efficiency levels varied notably across different locales, particularly in loan implementation and policy execution, though perceptions of program objectives remained consistent. These findings suggest that localized strategies and institutional reforms are essential for enhancing microfinance impact, especially in underserved communities, and call for targeted policy actions by MFIs and relevant government agencies.

Keywords: *Microfinance Services , Micro and Small Enterprises, businesses*

INTRODUCTION

Microfinance institutions (MFIs) have emerged as critical tools for promoting financial inclusion among micro and small enterprises (MSEs), particularly in developing regions where access to formal banking remains limited. Globally, over 140 million individuals benefit from microfinance, with strong presence in South Asia, Africa, and Latin

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America (Microfinance Barometer, 2023). MFIs address financial exclusion by offering services such as microloans and insurance to underserved populations.

However, their efficiency—defined not just by financial sustainability but by the extent to which they support inclusive development—varies widely. Key indicators like the Operational Self-Sufficiency Ratio (OSSR) and Cost per Borrower (CPB), along with social impact metrics, are used to assess MFI performance. High-performing institutions often adopt digital tools, tailor services to client needs, and maintain robust governance systems (Ledgerwood et al., 2013).

In many developing countries, microfinance plays a vital role in providing the poor (i.e., small farmers, fishermen, and micro-entrepreneurs) with access to credit and helping them improve their lives by encouraging entrepreneurial activity (Arch, 2005; Bhatt & Tang, 2011; Khandker, 1996b; Llanto, 2004 as cited in Habaradas and Umali, 2013).

According to Micu (2010), microfinance has also proven to be "a potent tool for poverty reduction by helping the poor increase their income, smooth consumption, build assets, and reduce their vulnerabilities in times of contingencies and economic shocks." Arch (2005) stated that it has also proven to be "a potent tool for poverty reduction by helping the poor increase their income, smooth consumption, build assets, and reduce their vulnerabilities in times of contingencies and economic shocks" (cited in Habaradas and Umali, 2013). Moreover, Micu (2010) also noted that microfinance as an industry" now reaches more than 100 million poor people all over the world through a combined portfolio of US$15 billion." (cited in Habaradas and Umali, 2013).

In the Philippines, microfinance has been integral to national poverty reduction strategies since the late 1990s, facilitated by a diverse mix of rural banks, cooperatives, NGOs, and state-backed organizations. Yet challenges persist, especially in less urbanized areas, where service gaps, high interest rates, and limited financial literacy reduce MFI effectiveness.

In many developing countries, including the Philippines, financial services such as bank loans, insurance, and pension funds remain largely inaccessible to the poor. When credit is available, it is typically limited to informal sources like community savings groups or money lenders who impose high interest rates, making it unaffordable for most local entrepreneurs. This lack of access to formal financial markets highlights a significant gap in the financial system. The mobilization of local savings has long been a key element in community development globally, providing a foundation for economic growth and empowerment in underserved areas. At the traditional schemes, individuals have been utilizing loans through moneylenders, community savings, and the mobilization of local resources through concerted actions.

Microfinance has emerged as a vital source of funding for small-scale businesses in developing countries, offering a lifeline to millions of households that are typically excluded from traditional financial services. This access enables individuals to initiate or expand their economic activities, thereby fostering entrepreneurship. Entrepreneurship plays a crucial role in driving economic growth in these nations, contributing to job creation, wealth generation, poverty alleviation, and innovation. As a result, many developing countries, including the Philippines, have focused on promoting entrepreneurship through Microfinance Institutions (MFIs) to stimulate economic development and achieve broader social and economic objectives.

A study by Delos Reyes (2024) explored how financial literacy and accessibility impact the income generation of fishing micro-enterprises in Barangay Sampiruhan, Calamba, Laguna. The research highlighted that low levels of financial literacy and limited access to MFIs are major barriers to improving income for these businesses. The study recommends strengthening financial literacy programs and enhancing access to microfinance services to help increase the economic viability of these enterprises.

In addition, Eseo (2023) conducted an investigation into the operational practices of MFIs in San Pablo City, Laguna. The research uncovered critical factors influencing the performance of MFIs, such as loan processing efficiency, data management, marketing approaches, and risk management strategies. Understanding these operational dynamics is crucial for improving the overall efficiency of MFIs, particularly in how they serve local MSEs.
Microfinance Institutions (MFIs) are crucial for promoting financial inclusion, particularly by offering financial services to micro and small enterprises (MSEs), thus fostering economic growth and poverty alleviation. In Laguna, Philippines, MSEs are vital to the local economy, contributing significantly to job creation and economic activities (DTI, 2024). However, these enterprises frequently face barriers in accessing appropriate financial services. A key initiative to bridge this gap is the collaboration between Rizal MicroBank Inc. (RMB) and Franklin Baker, which has provided enhanced financial services to coconut suppliers in Southern Luzon, including Laguna. This partnership has improved loan processing times, reducing approval durations from weeks to three days, and boosted loan

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disbursements, increasing liquidity for local businesses (BusinessMirror, 2024). Additionally, the Department of Trade and Industry (DTI) has partnered with MFIs like the Card-MRI Development Institute (CMDI) to offer training programs in Laguna, focusing on improving food safety, packaging, and labeling to help MSEs comply with industry standards (DTI, 2024). Despite these efforts, challenges remain, particularly regarding the limited allocation of financing to MSEs. As of June 2024, only 4.52% of the loan portfolios from Philippine banks were directed towards MSEs, far below the mandated 10% (FirstCircle, 2024). This gap highlights the importance of evaluating the efficiency of MFIs in delivering services to MSEs in Laguna, aiming to identify challenges and opportunities for improvement. Such assessments are critical for developing strategies that enhance the accessibility, efficiency, and relevance of microfinance services for local enterprises.

Laguna, a growing economic hub near Metro Manila, illustrates this duality. While MSEs thrive in sectors like agribusiness and retail, many still face barriers to accessing efficient financial services. Local MFIs grapple with internal constraints such as staffing and outdated systems, while clients often lack financial education or necessary documentation. Improving MFI efficiency in Laguna requires a multi-dimensional approach—strengthening institutional capacity, expanding borrower education, and enhancing coordination with local governments to ensure that financing drives inclusive economic growth.However, Alfajora (2013) recognized that in Laguna there is a lack of appreciation of microfinance as a potential component of the government's poverty-amelioration schemes.

Fashola (2008a) asserted that with microfinance services, graduates roaming the streets in search of jobs would have a new orientation to start their own business and become employers of labor and generate wealth for themselves, their families and the nation. Niekerk (2008) believed that robust economic growth could not be achieved without putting in place a well-structured framework that could be meaningfully supported economic activities at the grassroots, such as the microfinance platform. He stressed that microcredit is an important liberating force in an economy and must be extended not only to poor but, to the active sector of the economy.

Micro-financing refers to small-scale financial services – primarily credit and savings provided to people who operate small and micro businesses where goods are produced, recycled, repaired, or sold and who provide services to other individuals and groups at the local levels of developing countries, both rural and urban (Robinson, 2001).

In the research paper of Idowu (2010), a major impediment to rapid development of the small and micro business sector is an absence of both debt and equity financing. Accessing finance has been identified as a key element for small and micro businesses to thrive in their drive to build productive capacity, to compete, to create jobs, and to contribute to poverty alleviation in developing countries (Idowu, 2010). Without finance, small and micro businesses cannot acquire or absorb new technologies, nor can they expand to compete in global markets or even strike business linkages with larger firms (Idowu, 2010).

Key indicators such as loans, savings even outreach (Habaradas & Umali, 2013). Over the past two decades, the Philippines has become a key example of microfinance in action. As one of the most established and dynamic microfinance environments globally, the Philippines offers valuable insights into how microfinance can alleviate poverty and pave the way for economic advancement. Microfinance institutions (MFIs) first emerged in Asia in the late 1970s, with the Philippines adopting them in the mid-1980s. These institutions revolutionized the development sector by demonstrating how to provide financial services to the poor without relying on continuous public funding. Their innovative approach combined elements of traditional "loan-shark" lending with formal banking principles, all while adhering to non-profit goals focused on service and social impact. The rise of microfinance was driven by an increasing recognition among policymakers and development experts of the importance of supporting the economic activities of marginalized communities. "They bang out pots and pans for scrap metal, made mops and booms, shape pieces of furniture, or sell fruits and vegetables" (Otero & Rhyne, 1994). Most of these activities require little startup capital but they crave for working capital (Liedholm and Mead, 1987; Otero and Rhyne, 1994).

Under the presidency of Gloria Arroyo, microfinance has been regarded as a "cornerstone" to fight poverty (Daley, 2006, p. 5). The government has invested almost 3 billiondollars in funding its operation in the country. Unfortunately, most of the fund has been concentrated to urban areas alone (Daley, 2006, Cited in Alfajora 2013). Some studies were administered to measure the effectiveness of microfinance implementation in the Philippines. One of the well-cited study is that of the George Mason University by Daley and Sautet (2005). It is important to mention that in the said study, what was highlighted is not the thriving industry of microfinance in the Philippines, but the tendencies of debtors to consider the credit that they can avail as a form of a subsidy. Also, Daley and Sautet (2005) pointed that the Philippines, in order to be a successful implementor of microfinance policies, has to furnish its institutional concerns, namely (pp. 11-14):(1.)discriminatory laws; (2.)excessive regulation; (3.)endemic corruption; and, (4.) lack of formalized property rights. The Philippines has been receptive to the global trend of innovative microfinance strategies. In The Report: The Philippines 2009 (2010), the high rate of capitalizing of the Philippines on

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mobile phone usage has been regarded as the country's initiative in financing small-scale entrepreneurial. But criticisms always gravitate to the negative side of implementing microfinance. According Kondo and Orbeta (2008) maintained that the recipient of the service in the Philippines are not poor which is in sharp contrast to the objective of microfinance. They also found a slight impact of microfinance on household assets as well as human capital investments. In the Philippines, small scale business in terms of asset size would generally mean enterprises with capital assets between P3 million to P15 million and in terms of employment, has 10 to 99 workers. Moreover, The Philippines has been one of the earliest replicators of the aforementioned microfinance model and considers microfinance as an important development tool in reducing poverty. This policy agenda is based on anecdotal evidence and early studies showing small loans used to fund micro-enterprises lifting people out of poverty by raising household income and consumption (Pitt & Khandker, 1998; Wright 2001; Zaman, 2000; Khandker, 2001 as cited in Acupan, 2014).

The Philippines microfinance has reached a significant portion of poor households (Micu, 2010). There is evidence, however, that some microfinance institutions (MFIs) appear to favour the 'less poor' (Ruben, 2007). Some studies even suggest that the poorest are being systematically excluded (Milgram, 2001; Ahmad, 2003; Coleman, 2006). According to Acupan (2014), MFIs in the Philippines are reaching only about one-third of poor households. Microfinance services encompass the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low-income clients (Asiama, 2007).

Microfinance Institutions (MFIs) are essential in advancing financial inclusion by offering crucial financial services to micro and small enterprises (MSEs), thus driving economic development and poverty alleviation. In the province of Laguna, MSEs are a key component of the local economy, significantly contributing to job creation and economic activities. However, despite their vital role, many of these enterprises face substantial challenges in accessing financial services that are appropriately designed to meet their specific needs.

To wit, the essence of this paper, therefore, is to describe the practices for efficient microfinance services delivery in the promotion of small and micro enterprises in Laguna. The result of this study could lead to possible inputs and suggestions to help formulate policies and enhance the delivery of services of Micro-Financing institution to address the problems encountered by the respondents.

Statement of the Problem

This study assesed the efficiency of services of microfinance institutions for the promotion of small and micro enterprises in Laguna.

Specifically, it sought to answer the following questions:

1. What is the level of efficiency of the microfinancing institution on its services in terms of:
   1.1 objective of the program
   1.2 implementation of the loan
   1.3 policy
2. What is the extent of the delivery of the micro-finance services in terms of:
   2.1 completion of the loan period
   2.2 arrangement of capital
   2.3 asset size
3. Is there a significant relationship on the efficiency of Micro finance services and the extent of the delivery of services?
4. Is there a significant difference in the level of efficiency of micro finance services when grouped according to locale of the study?
5. What potential elements of an enhanced policy program can be identified based on the findings of this study to improve the delivery of service in micro finance?

Hypothesis of the Study

The hypotheses that were tested for rejection and/or acceptance were that:

1. H(o): There is no significant relationship on the efficiency of micro finance services on the delivery of services.

2. H(o): There is no significant difference in the level of efficiency on of micro finance services as to objective of the program, implementation of the loan, and policy when grouped according to locale of the study.

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METHODS

Research Design

The study design is mainly quantitative in approach using evaluation and survey designs under the descriptive method. According to Calderon and Gonzales (2002), descriptive research describes and interprets what is. It is concerned with conditions of relationships that exist, practices that prevail, beliefs, processes that are going on, effects that are being felt, or trends that are developing.

The descriptive type of research is fitted in this study since the present study described the level of effectiveness of the microfinancing institution on its services and the extent of the delivery of the micro-finance services. The research is descriptive in nature and employed the survey method in assessing the effects of Micro-Financing Institutions in the promotion of small-scale businesses in Laguna. The surveys cover the small and micro business owners and operators located in Laguna that availed the microfinance services of Micro-Financing Institutions.

Population and Sampling

This study utilized purposive sampling. The population of the study covered the small and micro business owners and operators from the three 5th class municipalities of Rizal, Famy, and Mabitac of the 3rd and 4th congressional districts and the progressive cities in the first congressional district namely San Pedro, Binan, and Sta. Rosa of Laguna that availed the microfinance services of Micro-Financing Institutions. A total of 172 questionnaires handed to business owners and operators of small and micro businesses.

Research Instruments

The instruments used in this study were the questionnaire, document analysis, and unstructured interview.

Questionnaire The researcher in the study adopted the 4-Likert scale of Ogunleye (2009) but made some sort of modification and administered the questionnaire among 172 respondents (owners and operators of small and micro enterprises) in Laguna. The questionnaire was composed of items focusing on the level of efficiency of the micro financing institution on its services in terms of the objective of the program, implementation of the loan, and policy.

Construction. In constructing the questionnaire the researcher guided by the ideas that were posted in the statement of the problem. This utilized as a pattern in the formulation of the questions to describe the level of effectiveness of the micro financing institution on its services in terms of the objective of the program, implementation of the loan, and policy.

Data Analysis

The gathered data were analyzed using both descriptive and inferential statistical tools to assess the level of efficiency and effectiveness of micro financing institutions. Descriptive statistics, particularly the weighted mean, were employed to determine respondents' assessment of various aspects of microfinance services such as program objectives, loan implementation, and institutional policies. Verbal interpretations were derived from the mean scores to categorize the level of efficiency as "Efficient" or "Very Efficient." Frequency and percentage distributions were used to describe the extent of service delivery in terms of loan completion period, capital arrangement, and asset size. For inferential analysis, Pearson's r correlation was utilized to determine the relationship between the level of efficiency and the extent of service delivery. Furthermore, Analysis of Variance (ANOVA) was conducted to test for significant differences in the efficiency of services when grouped according to locale.

Ethical Considerations

This study adhered to ethical research standards to safeguard participants' rights and data integrity. Informed consent was secured after clearly explaining the study's purpose, procedures, and voluntary nature, including participants' right to withdraw at any time. Confidentiality and anonymity were maintained by excluding personal identifiers and securely storing data accessible only to the researcher. Responses were analyzed in aggregate to prevent individual identification. Data collection involved a triangulated method using questionnaires, document analysis, and unstructured interviews. A modified 4-point Likert scale, adapted from Ogunleye (2009), was administered to 172 micro and small enterprise owners in Laguna, focusing on the efficiency of microfinance services in terms of program objectives, loan implementation, and policy execution.

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RESULTS and DISCUSSION

Level of efficiency of the Micro Financing Institutions on its services

The following tables illusatrate the level of efficiency of the micro financing institutions on its services.

1.1 Objectives of the program. Table 1 displays the level of efficiency of the micro financing institutions on its services as to the objective of the program.

Data reveals that the respondents assessed that the objectisves is very efficient as it eradicate poverty through the provision of microfinance based from the mean score of 3.71, followed immediately that the objective is also efficient in promoting sustainable livelihood by strengthening responsive banking methodology as seen from the mean score of 3.64. The respondents' lowest assessment was that the objectives is efficient in providing skill acquisition for income generation based from the mean score of 3.24, and in improving the socio-economic conditions of people, through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy and child education as reflected from the mean score of 3.21.

Table 1. Level of Efficiency of the Micro Financing Institutions as to the Objective of the Program

Objectives	Mean	Verbal Interpretation
Improve the socio-economic conditions of people, through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy and child education.	3.21	Efficient
Build community capacity for wealth creation among enterprising poor people.	3.38	Efficient
Promote sustainable livelihood by strengthening responsive banking methodology.	3.64	Very Efficient
Eradicate poverty through the provision of microfinance.	3.71	Very Efficient
Provide skill acquisition for income generation.	3.24	Efficient
Provide training which is a ground for creation of future entrepreneurs in different fields.	3.50	Very Efficient
Provide a major source of employment.	3.43	Efficient

It was found out during an interview that the respondents appreciated the microfinancing institutions as it "improves the socio-economic conditions of people, through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy and child education." Another respondent said that the microfinancing institutions "provide training which is a ground for creation of future entrepreneurs in different fields."

Karlan and Goldberg (2007) stated that microfinance is a very broad term that refers to "financial services for poor and low-income clients offered by different types of service providers." In practice, the term is mostly used to refer to loans and other basic banking services to the poor who are excluded from the traditional commercial banking system provided by so-called microfinance institutions (MFIs). The microfinance movement is a large and growing movement.

Table 2. Level of Efficieincy of the Micro Financing Institutions as to Implementation of the Loan

Implementation of Loan	Mean	Verbal Interpretation
Easy and quick loan approval	3.05	Efficient
Limit the required documents for faster loan processing	3.45	Efficient
The micro financing institution should have a good accountant	3.39	Efficient
Allow longer period of payment	3.86	Very Efficient
Less frequency of collection	3.31	Efficient
Removal of hidden charges	3.14	Efficient
On time release of loaned amount	3.71	Very Efficient
Allow bigger loan amount	3.28	Efficient

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Good schedule or terms of payment	3.50	Very Efficient

Findings revealed that the respondents assessed that the implementation of the loan is very efficient as it allows longer period of payment based from the mean score of 3.86, followed immediately of on time release of loaned amount based from the mean score of 3.71. The respondents' lowest assessment was that the implementation of the loan is efficient because of the removal of hidden charges as seen from the mean score of 3.14, and its easy and quick loan approval as indicated from the mean score of 3.05.

Microfinance refers to the provision of financial services tailored to the requirements of low income people like micro-entrepreneurs, particularly the delivery of small loans, the provision of small loans, receipt of small savings deposits and easy payment services required by micro-entrepreneurs and other poor people (USAID PRISMS, 2005) Microfinance is a term that refers to the delivery of financial services to customers who are omitted from the conventional financial system because of their low economic status.

According to Ojo (2007) microfinance are described as small scale financial services that are granted to informal small business/enterprise operators in other to take part in any other creative or distributive activities. Microfinance denotes small-scale enterprise or credit services; which are made available to people operating selected business; running small enterprises in which goods are manufactured, reprocessed, repaired or exchanged in rural as well as urban areas.

Table 3. Level of Effectiveness of the Micro Financing Institutions as to Policy

Policy	Mean	Verbal Interpretation
Not too strict regarding the requirements	2.89	Efficient
Make their interest rate a little bit lower even though no collateral	3.54	Efficient
Expedite and streamline the procedure for approval of loans	3.33	Efficient
In case problem occur, there should be a concrete plan for the clients to pay debts or recovery program for the debtor	3.11	Efficient
More efficient means of credit investigation	3.02	Efficient
Money collection should be entrusted to the direct employee of microfinancing institution	3.62	Efficient
Update clients of their monthly payments through email or call	3.58	Efficient
Proper information dissemination about the benefits of Micro-Financing	3.40	Efficient

It was found out that the respondents assessed that the policy is very efficient since the money collection were entrusted to the direct employee of microfinancing institution as indicated from the mean score of 3.62, followed immediately in updating clients of their monthly payments through email or call as seen from the mean score of 3.58. The respondnets' lowest assessment was that the policy has more efficient means of credit investigation as reflected from the mean score of 3.02, and that it must not too strict regarding the requirements based from the mean score of 2.89.

One of the services offered by the Micro-Financing Institutions in Laguna is loan. In an interview with the respondents, they said that they avail loans to increase their capital, thus improve their business. The Securities and Exchange Commission (2024) defines microfinance loans as small-scale loans offered by microfinance institutions to low-income families for the purpose of supporting their small businesses or microenterprises. These loans are generally formalized with a promissory note, which outlines critical details such as the loan's principal amount, the interest rate imposed by the lender, and the agreed-upon terms of repayment.

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Table 4. Extent of the delivery of the micro-finance services as to Completion of the Loan Period

Completion of the Loan Period	f	%
2 years and above	24	14
1 year	58	34
Less than 1 year	90	52
Total	172	100

Findings show that there are 90 or 52 percent of the respondents have completed the loan period for less than 1 year, followed by 58 or 34 percent completed the loan for 1 year, and that 24 or 14 percent have completed 2 years and above.

Microcredit is normally regarded as the provision of financial or banking services, majorly to small businesses known as micro-enterprises that have no access to formal financial institution (Ugoani and Dike, 2013b). The inflexible credit procurement measures, inadequate collateral, huge transaction cost, as well as many others have made credit unattainable to the poor.

According to Saqfalhait amd Nahil (2011) microfinance serves best those who have identified an economic opportunity and who are in a position to capitalize on that opportunity if they are provided with a small amount of ready cash. Thus, those poor who work in stable or growing economies, who have demonstrated an ability to undertake the proposed activities in an entrepreneurial manner, and who have demonstrated a commitment to repay their debts are the best candidates for microcredit.

Table 5. Extent of the delivery of the micro-finance services as to arrangement of capital

Arrangement of capital	f	%
4.40 Million and above	31	18
3.30 - 4.30	21	12
2.20 - 3.20	43	25
1.10 - 2.10	53	31
1 Million and below	24	14
Total	**172**	**100**
Mean	**1.65 Million**	

Findings indicate that 53, or 31 percent, of business enterprises have capital ranging from 1.10 million to 2.10 million. This is followed closely by 43 enterprises, or 25 percent, with capital ranging from 2.20 million to 3.20 million. Additionally, 31 enterprises, or 18 percent, have capital of 4.40 million or more. Out of the 172 business enterprises surveyed, 24, or 4 percent, have capital of 1 million or less, while 21, or 12 percent, report capital ranging from 3.30 million to 4.30 million.

Thapa (2007) stated that microfinance involves making a wide range of financial services available, like, deposits, loans, transfers and insurance services to small businesses. It also involves making available financial services to small businesses that are usually not catered for by the commercial banks. Oladokun (2006) is of the opinion that microfinance should not include collaterals, should offer door-to-door services that provides small loans to people, especially women using easy procedures.

Table 6. Extent of the delivery of the micro-finance services as to Asset size

Asset size	f	%
7 M and above	16	9
5 M - 7 M	22	13
3 - 5 M	100	58
3 Million and below	34	20
Total	**172**	**100**
Mean Asses size	**3.12 Million**	

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Data shows that there are 100 or 58 percent of the business enterprises have an asset size of 3 - 5 M, followed immediately by 34 or 20 percent whose asset size were 3 Million and below, and that 22 or 13 percent have an asset size ranges from 5 M - 7 M, and that 16 or 9 percent have an asset size of 7 M and above.

Results from the interview revealed that the business enterprises loan a certain amount for them to increase company asset size. As stated by Asian Development Bank (2000) microfinancing is the provision of a broad range of financial and nonfinancial services such as deposits, loans, payment services, money transfers, and insurance to business enterprises, and micro and small scale business. It is about providing financial and nonfinancial services to the business establishments to increase asset size.

Table 7. Significant relationship on the Efficiency of Micro finance services and its extent on the delivery of services

Variables	Pearsons' **r**	Correlation	**t**-value		**Decision**	**Remarks**
			Comp	Tab		
Level of efficiency / Extent of the delivery	0.79	High Correlation	2.17	1.645	Reject	Significant

Based from the results of Pearsons' **r** of 0.79, it can be seen that there is a high correlation between the level of efficiency of the micro financing institution, and the extent of the delivery of the micro-finance services. Furthermore, since the computed **t**-value of 2.17 is greater than the tabular **t**-value of 1.645 using 0.05 level of significance, the hypothesis was rejected and concludes that the significant relationship on the efficiency of Micro finance services on the delivery of services. Data suggests that the efficiency of service delivery is closely influenced by the overall operational efficiency of microfinance institutions

Table 8. ANOVA Table for Significant Difference in the EffectOf Micro finance Institution Services when Grouped According to Locale of Study

Profile		Sum of Squares	Df	Mean Square	F-com	F-tab	Decision	Remarks
Objectives of the program	Between Groups	12.76	5	2.55	2.01	2.92	Accept	Not Significant
	Within Groups	215.90	170	1.27				
	Total	228.66	171					
Implementation of the loan	Between Groups	31.85	5	6.37	3.25	2.92	Reject	Significant
	Within Groups	333.20	170	1.96				
	Total	365.05	171					
Policy	Between Groups	18.45	5	3.69	3.13	2.92	Reject	Significant
	Within Groups	200.60	170	1.18				
	Total	219.05	171					

Objectives of the Program. Using ANOVA, the hypothesis was accepted and concludes that there is no significant difference in the level of efficiency on of micro finance services when grouped according to locale of the study in terms of the objectives of the program since the computed **F**-value of 2.01 is less than the tabular **F**-value of 2.92 using 0.05 level of significance. Data implies that the objectives of the program do not differ when grouped according to locale of the study.

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Implementation of the Loan. There is a significant difference in the level of efficiency on of micro finance services when grouped according to locale of the study in terms of the implementation of the loan since the computed **F**-value of 3.25 is greater than the tabular **F**-value of 2.92 using 0.05 level of significance. Findings reveals that the implementation of the loan differ when grouped according to locale of the study.

Policy. Since the computed **F**-value of 3.13 is greater than the tabular **F**-value of 2.92 using 0.05 level of significance, the hypothesis was rejected and concludes that there is a significant difference in the level of efficiency on of micro finance services when grouped according to locale of the study in terms of policy. Findings show that implementation of the policy differ when grouped according to locale of the study.

According to De Tomas et al. (2024) the inclusivity of financial services positively influences regional economic growth, implying that the objectives of microfinance programs may not differ significantly across locales.

Problem 5. Potential elements of an enhanced policy program to improve the delivery of service in micro finance

Based from the findings of the study, an enhanced policy program was formulated to improve the delivery of service in micro finance.

1. Credit Assessment and Payment Systems. MFIs should utilize digital tools for efficient credit investigations and require loan repayments through formal banking channels to ensure transparency.

2. Repayment Terms and Collection Practices. Adopt flexible, business-aligned payment schedules, reduce collection frequency, and use official staff for transactions while maintaining regular client updates

3.Loan Approval Process. Streamline approval through automation, adequate staffing, and sound financia oversight to reduce delays and improve service efficiency.

4. Utilization of Loan Funds. Provide clients with pre-loan evaluations and advisory support to ensure productive and responsible use of funds.

5. Timely Loan Disbursement. Disburse loans promptly once requirements are met to support enterprise continuity and strengthen client trust.

6. Client Education and Information Access. Enhance awareness through digital platforms and outreach programs to improve client understanding of microfinance services.

7. Government Collaboration. Encourage policy and infrastructure support from government agencies to accelerate fund access and scale microfinance outreach.

8. Technology Integration. Upgrade systems to allow faster loan processing, reduce paperwork, and improve data accuracy and client satisfaction.

9. Documentation Flexibility. Apply a risk-based approach to documentation to simplify access without compromising accountability, especially for informal enterprises.

According to Gonzalez and Javoy (2011) the "Microfinance and the Role of Policies and Procedures" evaluates the role that governance, management information systems (MIS), risk management procedures, and lending methodologies play in different scenarios, with emphasis on their interaction with external factors like market saturation levels and MFI growth rates.

Microfinance institutions fill a needed gap within the financial services industry by offering small loans, or micro-loans, to people unable to access conventional loan services. Microfinance institutions vary in size and function with some organizations focusing entirely on microfinancing, while others work as extensions of large investment banks.

Micro-Financing Institutions are subject to laws and regulations that monitor the stability of the financial system, protect customers, prevent fraud and money laundering, and ensure proper disclosure of product costs and

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terms. Policy makers in each country are responsible for drafting and enacting these laws and regulations, and for ensuring proper supervision exists to ensure compliance.

Conclusions

This study assesses the efficiency of microfinance institutions (MFIs) in delivering services to micro and small enterprises (MSEs) in Laguna. The efficiency of microfinance services was assessed in relation to loan completion, capital accessibility, and asset growth. Findings indicate a statistically significant relationship between the efficiency of MFIs and the extent of their service delivery. Additionally, the level of efficiency varied significantly by location with regard to loan implementation and institutional policy, but not with respect to the alignment of services with program objectives.

Recommendations

Based on these findings, several recommendations are proposed:

1. Loan Process Improvement

MFIs, in collaboration with local government units (LGUs) and the Department of Trade and Industry (DTI), should streamline loan procedures to reduce delays, simplify document requirements, and extend loan terms to better support long-term enterprise growth. Addressing procedural inefficiencies will enhance both access to credit and client satisfaction.

2. Client Communication and Capacity Building

It is recommended that MFIs enhance client engagement by developing educational programs on loan eligibility, business profiling, and financial literacy. MSE owners should be guided on aligning their business characteristics—such as capital size, number of employees, and assets—with the requirements of financial products offered by MFIs.

3. Policy Enhancement

MFIs should regularly review and revise institutional policies to ensure they are responsive to the evolving needs of micro and small enterprises. Flexible and inclusive policies can enable broader access and encourage sustainable entrepreneurship in both urban and rural areas.

4. Recommendations for Future Research

Further research is encouraged to explore the integration of fintech solutions in microfinance delivery, particularly in digital lending and mobile-based services. Comparative studies across provinces or regions could also provide deeper insight into contextual factors affecting microfinance efficiency.

By implementing these recommendations, stakeholders can enhance the role of microfinance as a driver of inclusive economic development in Laguna and beyond.

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