



Development of a Business Framework for the Enhancement of the Business Performance of Selected Small-Scale Businesses

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ABSTRACT

This research study developed a business framework or model for the enhancement of the business performance of small-scale businesses in Ragay, Camarines Sur which were assisted through micro-financing specifically the following were looked into first, the description of small-scale businesses in terms of line of business, capitalization and micro-financing availment. Second, the impact of microfinancing on these businesses along the aspects of liquidity, inventory turnover and return on investments. Both qualitative and quantitative technique were used in the study. In using qualitative method an interview guide was utilized and a focused group discussion was conducted among the 10 respondents and survey questionnaire for quantitative approach in determining the acceptance of the model. After careful analysis of the study, it was revealed that 10 of the respondents said that the source of their capital to put up the business was from MFIs and 1 had said from personal saving. Majority of the respondents about 60 percent had availed from Card Bank Incorporated. 40 percent had availed from ARDCI. 4 of the respondents had availed the amount of 30 000-40 000php with the term of 9 months and with 12 percent interest rate. With regards to the impact of Microfinancing it showed that in terms of liquidity the sari-sari store, meat shop and buy and sell of rice and palay were moderately liquid while majority of the rest were not much liquid. In inventory turnover, the demand lead time and the number of days replenish showed a very highly efficient among sari-sari store, meat shop and fishmonger while the buy and sell of nipa had a very low efficiency. Majority of the respondents had a very low efficient return on investment. It can be concluded from the study that respondents were highly benefited by MFIS in giving leeway to them with regards to their starting capital however they didn't realize the burden of high interest being charged causing them a hard time paying their weekly dues which led to difficulties in operating their business in its day-to-day operation.

INTRODUCTION

The rise of the small businesses in the Philippines was gaining attention in the country's development. However, Small scale businesses had been facing challenges of financing or refinancing since they put up their business as it was difficult to obtain conventional loans from commercial banks to start up small business. According to He et al. cited in Wang et al. (2017), one of the responses to the challenges of the lack of financing options for small scale business was the introduction and development of microfinance. One of its visions was to steer the growth of microenterprises. Microfinance has the ability to strengthen small businesses and encourage best practices among its operators. At the same time, the types of demand for microfinance services were also diversified, such as micro credit, micro savings and micro insurance.

Microfinance, also called microcredit, was a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services such as loan. Probably the most significant function of microfinanciers was offering small-scale businesses a blueprint for expansion and assistance to expand their operational footprint beyond the traditional strongholds.

The existing microfinance institution in Ragay Camarines Sur were the Center for Agriculture and Rural Development (CARD) Incorporated, ASA Philippines Foundation, and ARDCI Microfinance Incorporated and in spite of these gains in the microfinance sector it had a long way to go in its journey towards financial inclusion such as its impact on the financial product, services, business activity and its growth locally, a number of micro finance institutions had been reporting anecdotal evidence of increasing numbers of entrepreneurial borrowing. Public discussion regarding this phenomenon had yielded various phrases to refer as "loan pushing", "credit pollution" and "client poaching" conflating both perceived causes and perceived consequences of borrowing such as shutting down of business and reflecting various underlying normative judgements, no one knew how prevalent borrowing, there was a little guidance on moving forward towards business efficiency and economic growth of the town.

Moreover, study proposed a general framework for understanding the correlation of microfinance institutions on the business efficiency. The researcher knew about the strength, weaknesses and threats of MFIs and to formulate reasonable decisions that lead to the business sustainability of their clients. The proposed model also addressed the problem and challenges faced by microentrepreneur along their availment of microfinancing services especially loan. Furthermore, the most important was that the microentrepreneurs comprehend the effects of microfinance with their business. This study also generated a useful insight that can be used by the local government and nongovernmental organization to promote a better program of microfinancing for small businesses hence the progress of business needed also some external help.

LITERATURE REVIEW

What is the best way to enhance business performance of small-scale businesses? What can drive improvement? According to Grant (2009), the financial sustainability theory was associated with the operations that built and maintained sustainably in economic, social and natural environments. Thus, the concept of sustainability linked to the economic performance of an organization and to the stock of natural resources in the long term. Economic sustainability implied the application of various organizational strategies that led to utilization of available resources to the best advantages. This was done in the most efficient responsible way in order to ensure long term benefits. There are different indicators to assess the business performance, in this study, it focuses on three things the inventory turnover, liquidity and return on investment see Figure 1 the conceptual framework. In addition, Thapa, Chalmers, Taylor and Conroy (2007), said that it could be measured using two stages: financial self-sufficiency and operational sustainability. Operational Sustainability was the ability for an organization to support all its operations using the generated income. Self-sufficient was the ability for the organization to cater for their individual generated income, financing and operating and other forms of subsidy valued at market price.

The financial sustainability theory was applicable in this research through economic sustainability of small business which ensures that the capital used as inputs were economically recycled. Moreover, the ability for an organization to sustain itself in a long term was essential to reach their clientele and be able to have sufficient funds to take care of its operational costs.

Furthermore, this theory was helpful to design a business efficiency strategy. The micro-entrepreneurs and managers of small-scale business was able to maximize outputs from given inputs, and so minimize their costs. Moreover, by improving efficiency a business can reduce its costs and improve its competitiveness.

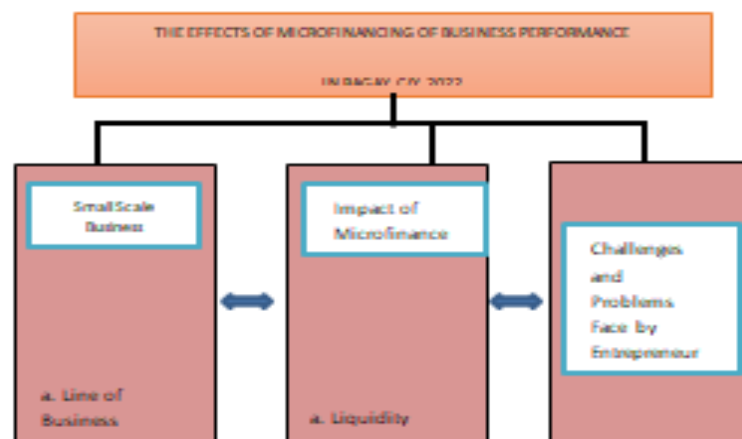


Figure 1. Conceptual Framework

Myers (1984) postulated the Pecking Order Theory. He said that financial needs of small and medium business were met in order of hierarchy. Small business secured first set of funds internally and as financial needs increased,

they obtained more funds through the use of debt capital thus sourcing for funds from external equity.

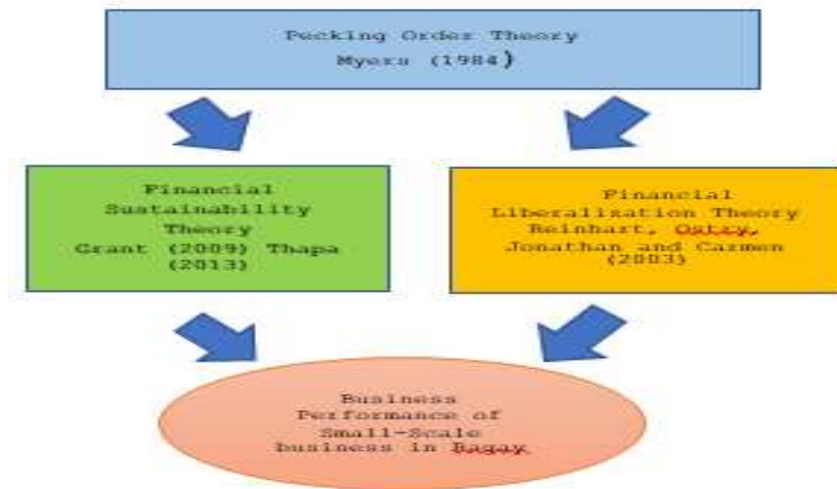


Figure 2. The Theoretical Paradigm

Moreover, the growth threshold that were present among the small-scale businesses in Ragay, Camarines Sur, it put them in a situation to borrow additional capital to expand their enterprises conveyed by its growth and survival. This was the actual concept that was meant to be relayed to the business owners and managers

Furthermore, Reinhart, Ostry, Jonathan and Carmen (2003), pointed out that financial liberalization could improve the rate of growth as interest rates move towards market average value, and resources were property utilized. Strictly with the above assumptions, it was probably that financial liberalization yields increased savings which eventually increases economic development through alterations in quality through allowing efficient resource locations and investment quality. It was through financial liberalization that Small-scale enterprises could institute various mechanism to ensure that there was sufficient flow of credits borrows and creditors and get optimal value for their investments. Among the measures include quantifiable credit strategies, the concessional interest rate to specific SMEs, restricted liquidities and cash reserved ratios.

The economic reforms enacted through financial liberalization improved the investment effectiveness via the efficient use of available resources, and this eventually boosted the performance of small-scale business.

The data beheld were the description of small-scale businesses in terms of type of business, capitalization and micro- financing availment. The information that had been derived from respondents that gave general idea of the company details, its unique strengths, credibility and financial status. The effects of microfinancing had been determined and the extent to which its wider impacts on the return on investment, liquidity and Inventory turnover through gathering of data. The challenges and problems faced by small scale businesses in Ragay, Camarines Sur who availed of micro- financing platforms was identified.

Furthermore, the researcher conducted an interview as well as used an interview guide in order to get an accurate information. Analysis and presentation of data was made to get the idea on how to address the issue regarding the experiences of small-scale businesses with microfinancing.

A model was proposed by these small-scale businesses in Ragay would be able to create multiple opportunities for a business enterprise, to demonstrate capability of the organization to meet the customer's demand by making the best impression on your clients/customers/investors and lastly enhancing the business interaction process. Along the study the effect of microfinancing and business performance was interconnected. The rigorous impact of microfinance services as well as the necessity of innovation to widen the welfare impact and promote business efficiency was discussed. This study developed a business model for the enhancement of the business performance of small-scale businesses in Ragay Camarines Sur which were assisted through micro- financing. Es in Ragay Camarines Sur which were assisted through micro- financing.

Objectives of the Study

The goal of microfinance institutions as development organization is to service the financial needs of served and underserved market. In the journal of PMC, Zheng, (2020) said that during the COVID-19 pandemic, the demand for smaller loans had increased and the MFIs charge higher interest rate. Many vulnerable borrowers had default on their loan repayments. As microentrepreneurs and low-income borrowers rely heavily on MFIs, and were willing to pay the high interest rates charged by MFIs it led to higher social efficiency.

This led to the study which aimed to develop a business framework or model for the enhancement of the business performance of small-scale businesses in Ragay Camarines Sur which were assisted through micro-financing. Specifically, the following questions were answered:1. What were the description of small-scale businesses in terms of line of business, capitalization and micro- financing availment?2. What was the impact of microfinancing to the small-scale business of Ragay along the aspects of liquidity, inventory turnover and return on investments?3. What business framework or model could be proposed to enhanced their business performance?

METHODOLOGY

This study used qualitative and quantitative type of research to describe the effects of microfinance in business efficiency and the acceptability of the proposed model. Grounded theory was a set of systematic inductive methods for conducting qualitative research it aimed towards the development of framework. It was used in the study in order to effectively discover or construct theory from data, systematically obtain data, analyze the data using comparative analysis and accurately interpret it. The quantitative approach was used to get the level of acceptability of the proposed model.

Focus Group Discussion Guide Questions.

These are constructed by the researcher and consisted of 3 parts, the first part was about the description of small-scale business in Ragay with 6 question statements, the second part was about the impact of microfinancing to the businesses with 8 question statements and lastly the third part was about the challenges and problems faced by microentrepreneur with 3 question statements. Before these were implemented, the interview guide was validated by the expertise in the field of business.

Impact of Microfinancing in terms of Liquidity Parameters

The researcher determined the impact of microfinance by using five-point Likert scale to assess in terms of liquidity such as More than 50 000 -Very Much Liquid, P35 000-P49 999 - Much Liquid, P20 000-P34 999 - Moderately Liquid, P5 000- P19 999-Not Much Liquid and Less than P4 999- Not Liquid.

Impact of Microfinancing in terms of in terms of Inventory Turnover Parameters.

To analyze the inventory turnover the following Likert scale was used Less than one day -Very Highly efficient, two days to three days - Highly efficient, four days to five days -Moderately efficient, six days to seven days - more than one week -Very Low efficient.

Impact of Microfinancing in terms of Return on Investment Parameters

To assessed and analyzed the average monthly investment the following descriptive rating was used to wit, more than P 40 001 very highly efficient, P 30 001- P 40 000 highly efficient, P 20 001- P 30 000 moderately efficient, P 10 001- P 20 000 low efficient and less than P 10 000 very low efficient.

Acceptability of Proposed Model

The acceptability of the model, options were scaled from the numerical rating of 5, 4, 3, 2, and 1 this was distributed to classify responses using the Likert scale of 4.21 – 5.00 Perfectly Acceptable 3.41 – 4.20 Acceptable, 2.61 – 3.40 Neutral, 1.81 – 2.60 Unacceptable and 1 – 1.80 Totally Unacceptable after weighted mean was used.

RESULTS AND DISCUSSION

The Small-Scale Businesses in Ragay

The data below contained the small-scale businesses in terms of type of business, capitalization and micro- financing availment.

The Line of Business of the Microentrepreneurs

The first problem in our study was to determine the business profile of small-scale business. The line of business described the related product or services the microentrepreneur offered.

Table 1. Frequency Distribution of Respondents

Type of Business from different barangays	Number of Business Owner/ Microentrepreneurs	Percentage (%)
Buy and Sell of Nipa	1	10%
Buy and Sell of Rice and Palay	1	10%
Fishmonger	1	10%
Sari-sari store	2	20%
Vegetable Store	1	10%
Plastic Wares and School Supplies	1	10%
Meat Shop	2	20%
Food Vending	1	10%
Total	10	100%

The respondents of the study were the ten (10) small scale businessmen in the locality of Ragay, Camarines Sur. 60% of the line of business had availed from Card Bank Inc. such as Sari-sari store with 2 respondents, meat shop with 2 respondents, Buy and sell of nipa with 1 respondent, and buy and sell rice and palay with 1 respondent. On the other hand, 30% had availed from ARDCI Microfinance Inc. such as fishmonger, vegetable store and plastic wares and school supplies with one respondent respectively. While 10% is engaged in food vending with one respondent who availed from ASA Philippines Foundation.

From the data it could be analyzed that most of the small-scale business in Ragay were engaged in sari-sari store and meat shop business. It was prevalent among them because of its simplicity and it was less rigorous to put up. It can be inferred that respondents were engaged in this type of business because of small revolving fund, and supplied the basic needs of the people, the commodities could be easily sold and replenished hence it offered better opportunity for immediate profit.

According to Grow Sari (2021), there were more than 1.1 million sari-sari stores in the Philippines, and they accounted for 60% of fast-moving consumer goods sold in the country. A typical rural area like Ragay it was common to see a sari-sari store since some barangays were far from the nearest market or grocery. A sari-sari store was a way of life, it offered the community with the opportunity to purchase items in singular form on a needs basis hence it was opened in the morning, noon until midnight. Moreover, it was related in the study due to the fact that small-scale businesses in the locality were mostly had that kind of business. A small business owner of a sari-sari store, may qualify for micro-lending programs to grow the business. The ability to pay off loans at a designated time frame opens up the opportunity to get a higher loan amount. Discipline and focus, might helped the sari-sari store owners to become successful no matter how small their shops may be. Some microentrepreneurs of Ragay had claimed that sari-sari store business helped them to send children to school or get by with daily household expenses.

It could also be seen from the table that majority of the small-scale business in Ragay had availed loan from CARD Bank Inc. It could be deduced from the fact that primarily Card bank had 3 offices in Ragay, Camarines Sur

and they offered a more favorable terms of lending. According to Alip 2023, CARD Bank Inc. built a good company culture and credit discipline among its staff and clients. It provided imperative trainings about value formation, project management, savings and credit management, and other socio-economic topics through our weekly Credit with Education (CWE) service conducted during center meetings. With client’s willingness to repay their weekly obligation even facing a crisis, this proved that our decades of financial literacy have been effective as our clients’ credit discipline are strong and evident.

Indeed, Card Bank Inc had established its credibility in supporting and providing financial services to individuals, entrepreneurs and small businesses during uncertain events and financial crisis. The company extended helped for better income through the promotion of profitable and micro enterprises. CARD Bank, Inc. was committed to provide a wide range of loan and savings products and other services. Loan products are intended to fit clients’ businesses and family needs. Loans are granted based on actual needs and repayment capacity of the clients.

The Microentrepreneur Source of Capital

The table below showed about the sources of capital of the respondents when they entered the business. For small-scale businesses sources of capital may include friends and family, partnership, personal savings and MFIs.

Table 2. The Sources of Capital

Source of Capital	Number of Availment of Business Owner	Percentage (%)
Loan from Microfinance Institution	10	91%
Personal Savings	1	9%
Total	11	100%

The data revealed that 10 or 91% borrowed moneys from microfinance as the source of capital in putting up their business while 1 or 9% of them said that the source of capital was both from personal savings and Loan from Microfinance institution.

Insufficient accessed to finance had been recognized as part of the main limitations to the development of small businesses that was why respondent ended in borrowing money from microfinance as capital. Furthermore, some of the respondents wanted to offer better goods and services so they needed additional money for their capital like for example the fishmonger they wanted to sold milk fish rather than slip mouth fish.

This implied that they borrowed money as their source of capital in putting up business because they wanted to have income that generate proceeds every day to finance for their daily expenditure in their household. Thus, it helped low-income households to stabilize their income flows by providing capital for their business it can be inferred that most of them needs microfinance institution in order to have a capital and start a business.

According to World bank (2022), Debt financing involved borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. Moreover, the findings of study were related to pecking order theory hence microentrepreneurs of Ragay displayed debt preference as source to fund investment opportunities especially in the study the source of financing is unavailable, they tend to finance the business through debt. The theory allowed a better understanding on the dynamic adjustment of the respondent businesses financial structure.

The Micro-finance Availment of Micro-entrepreneurs

Table 2C showed the amount borrowed by small scale business man, loan terms and interest charge by micro finance institution respectively. In the table which shows that small loans were offered to micro entrepreneurs who were perceived to be poor to qualify for loans from formal financial institutions thus it had revealed that 4 or 40% microentrepreneurs borrowed amounting to P30 001. 00 - P 40 000 to be their starting capital as well as the table displayed that they usually got a nine months term of loan with 4 or 60% respondents. On the other hand, it exhibited majority had a higher than 12% interest charge, while 2 or 7% pf the respondents had availed 4% and 1 or 10% had grabbed 6% offered by MFI's. Thus, based on data the microentrepreneurs who are borrowers of microcredit suffered from exploitation by charging excessive interest rates, given that those borrowers have little bargaining power and they just keep their eyes closed while availing it for it leave them few options due to difficulty in life. Another analysis SMEs debt burden indicates that a higher debt service ratio is positively associated with a larger loan size. It could be inferred that high interest rates were the major constraining factor that hindered the development of small businesses and limits their ability to repaid loans. Moreover, this means that majority of the respondents believed that the conditions attached to obtaining loans were too many and rigorous. Furthermore, microfinance banks limit their willingness to extend loan facilities to small businesses.

Table 3. Micro-finance Availment of Micro-entrepreneurs

Amount Borrowed from Microfinance Institutions	The Term of Loan	The Monthly Interest Rate of the Borrowed Money	Frequency	Percentage (%)
P 30 001- P40 000	Nine Months	12%	4	40%
P 20 001 - P30 000	Six Months	7%	2	20%
P 1 000 - P10 000	Three Months	4%	1	10%
P 10 001 - P20 000	Six Months	6%	1	10%
Others			2	20%
Total			10	100%

Ferrari et al. (2018) provided a detailed documentation that in Cambodia, concerns regarding the relatively high interest rate in microfinance sector led to the imposition of a legal interest rate ceiling on microfinance loans. This was related to the study since respondents were facing this predicament of paying high interest rate within a short-term period and larger amount of loan this increased their debt burden, thereby negatively affecting their welfare. Onerous loan because of higher interest for longer period of loans had been the problem small business owners because it leaves them no choice but to avail because of the necessity to make their business operational. The easy access to capital offered by MFIs was the greatest pain point or perceived threat to their long-term growth aspirations.

The Challenges and Problem Faced in Availing Micro-Financing

Microfinance fill the gap for financial difficulties of microentrepreneur in procuring assets and financing the initial operations of the business. The common problem encountered by micro entrepreneurs were achieving sales quota to assure that there was enough money for weekly repayment of loan which was very difficult. They found it hard to pay their installment obligations especially within short period of time. The micro entrepreneurs needed to raise the money in order to comply with MFIs so they look for another source of money aside from their weekly sales like borrowing from private individual or another lending institution. Over indebtedness was another problem some common reason why they ended up to this situation was the high interest rate, short period of payment and shortage in money due to decrease in sales due to the weather condition especially if its rainy season so it causes inconsistency in everyday sales hence, they experience stress in financial management. However, they were entangled into this scenario due to difficulties in life and daily living. Another was that if they clear vision about their business they could plan out the best alternative to make their business sustainable. The evidence supporting the important role of financial literacy in reducing SMEs debt burden was needed. Furthermore, microentrepreneurs of Ragay were required to address the challenges and problem in connection with their availment of microfinancing and financial liberalization, a theory in the study represents a key strategy, which had an impact on economic growth and development, vulnerability to financial crises, and domestic financial and capital market development. Business stability must be attained by the respondent of the study through business competency which was the person's fundamental quality that leads to actual achievement or greater business performance.

Table 4. The Challenges and Problem Faced In Availing Micro-Financing

THE CHALLENGES AND PROBLEM FACED IN AVAILING MICRO-FINANCING	Frequency	Percentage
Prolonged period of disbursement of Loan	3	7%
Find difficulties in looking for co-makers	2	5%
Attending Weekly Meetings	4	10%
Managing the day-to-day operations of the business	5	12%
Establishing starting funds	3	7%
Deciding the nature of business to start up	1	2%
Weekly payment of Loan	6	14%
Over indebtness-Multiple Loan	4	10%
Sustaining Revenues	5	12%
Expanding the business	3	7%
Didn't find any difficulties or problems in availing the services of the MFIs during application for loan.	6	14%
TOTAL	42	100%

**The Impact of Microfinancing on the Small-Scale Businesses
Impact in terms of Business Liquidity**

The table 3A below showed the impact of microfinance on the business along the aspects of liquidity that can be measured through cash inflow after availing micro financing it was designed to know about the amount left in their operation after payment of their installment due to microfinance. The table depicted only sari-sari store, meat shop and buy and sell of rice and palay were moderately liquid which means that P20 000-P34 999 their monthly cash inflow after availing microfinancing and the amount left in their monthly operations. On the other hand, majority of the rest were not much liquid while the fish - monger was not much liquid or P5 000- P19 999 was left after their payment to microfinance institution. It could be assumed that majority of the respondent had a limited cash inflow after they availed microfinancing. Liquidity means the status of having cash and easy access to fund. Thus, the result of the survey depicted the business liquidity position and sadly to conclude that they were not in a favorable position to have a cash in order to pay its current liabilities

Table 5. The Impact in terms of Business Liquidity

Type of Business	The Monthly Cash Inflow after Availing of Micro Financing (Verbal Interpretation)	The Amount Left to Day-to-Day operation after payment to Micro-Financing
Sari-sari store	Moderately Liquid	Moderately Liquid
Meat Shop	Moderately Liquid	Moderately Liquid
Buy and Sell of Nipa	Not Much Liquid	
Buy and Sell of Rice and Palay	Moderately Liquid	Moderately Liquid
Fishmonger	Not Much Liquid	Not Liquid
Vegetable Store	Not Much Liquid	Not Much Liquid
Plastic Wares and School Supplies	Not Much Liquid	Not Much Liquid
Food Vending	Not Much Liquid	Not Much Liquid

Descriptive Rating:

More than 50 000 - Very Much Liquid

P35 000 - P49 999 - Much Liquid

P20 000 - P34 999 - Moderately Liquid

P5 000 - P19 999 - Not Much Liquid

Less than P4 999 - Not Liquid

It could be implied that the low level of earnings by respondents had put them in disadvantageous situation to pay their debt, aside from the fact that they had taken from these earnings to finance the expenditure of their household. Moreover, in response with minimal amount left in their business after payment and low cash inflow this might affect their business operations especially it was important for small enterprises for operating capital for purchasing goods or inputs to their clients.

Pursuant to Carpenter and Petersen (2002) cited in Bwisa (2020) argued that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business failure in developing economies. This was related in the study because of financial management crisis that the respondents needed to improve and observed to overcome the issue on liquidity. It pertained on how small business be able fulfil its financial obligations; how long would take them to transfer assets into cash and if the business can transfer assets into cash without much costs. This was the predicament the microentrepreneur of Ragay was facing because they were not liquid after they paid their credit from MFIs. Small business, usually becomes default or go to bankruptcy due to lack of liquidity rather than lack of profitability. It was vital for respondents to meet liquidity needs, the concept of liquidity is accompanied with one company's financial strength, which means the capability to finance for the investment activities and high liquidity tends to improve the efficiency of the financial operation and performance of financial management. If the business expects to improve profitability by increasing revenues, then it should manage liquidity for the survival and sustainable development of microbusiness.

Furthermore, the study was related to the theory of financial sustainability in the sense that microentrepreneurs of Ragay suffered from liquidity issues. A business must sustain its income and ongoing working capital to maintain the day-to-day operations thus liquidity risk has a significantly negative effect on the business performance. Conversely, controlling of both current assets and current liabilities to avoid danger of insolvency or insufficient funds to meet due commitments which was needed to be resolve in the study.

Impact in terms of Business Inventory Turnover

The data above depicted the demand of the customer for the product and services of the microentrepreneur and the number of days the inventory was being replenished. It appeared that the demand lead time of their product was

Very highly efficient for sari-sari store, fishmonger and meat shop. Only plastic ware and school supplies were very low efficient on their demand lead time and number of days the inventory was replenish.

Inventory management was one of the important constituents of working capital Management. Inventory includes raw materials, work in progress and finished goods. Conversion of cash to inventory and inventory to receivables are two important phases of operating cycle. Inventory turnover and inventory conversion period were important tools in understanding efficiency in inventory management. In this regard, the respondents were able to sold and replenished their inventory in short period of time. This means they had a good inventory management. The speed at which a company could sell inventory was a critical measure of business performance.

However, the study also asserted that high loan interest rate, and weekly loan repayment can deter the growth of microentrepreneurs of Ragay. It was revealed that they had enough sale due to their highly efficient inventory turnover, however after their weekly payment to MFI's it exhibited that they were not much liquid which means fewer money was left to them for their day-to-day operation of business. Thus, micro credit had a negative impact on the liability aspects of the microentrepreneurs causing then to carry an extra obligation. 5 out of 10 showed very low efficient and 2 out 10 conveyed low efficient in the aspect of return on investment this data depicted that small scale business does not show any progress after availing micro-finance. Furthermore, it was conveyed in the study that the high interest rate increased the cost of loan leading to difficulties on the part of entrepreneur which affect the business performance.

Table 6. The Impact in terms of Inventory Turnover

Type of Business	The Demand of the product Lead	The Number of days the Inventory was being Replenish
Sari-sari store	Very Highly efficient	Very Highly efficient
Meat Shop	Very Highly efficient	Very Highly efficient
Buy and Sell of Nipa	Very Low efficient	Moderately efficient
Buy and Sell of Rice and Palay	Highly efficient	Highly efficient
Fishmonger	Very Highly efficient	Very Highly efficient
Vegetable Store	Highly efficient	Highly efficient
Plastic Wares and School Supplies	Low efficient	Moderately efficient
Food Vending	Very Highly efficient	Very Highly efficient

Descriptive Rating:

Less than One day -Very Highly efficient
two days to three days - Highly efficient
four days to five days -Moderately efficient
six days to seven days -Low efficient
more than One week -Very Low efficient

The speedy turnover implied good sales and better inventory system. It might indicate that they have an effective marketing on their business. Orientation about business management was critical for them having a good background on it was another factor that attributed to the increase in sales.

It was supported by Alom, Abdullah, Moten, and Azam (2016), It can be deduced that turnover of inventory might affect the growth of the business, microfinance itself is not the answered, the abilities to sell the products and management literacy was important. Lack of competitiveness was likely to constrained the development of microenterprises. Hence, innovation, and the initiative for growth was necessary. This was related to the study for it served as a reminder for microentrepreneurs that in order to sold its product and services, skills and marketing strategy was also essential. Moreover, they should learn better management decisions on how much inventory to buy, how to evaluate how inventory was performing, and assist with future inventory procurement. Managing, calculating and tracking inventory turnover helps businesses make smarter decisions in a variety of areas, including pricing, marketing, purchasing and stocking management. rational activities. The business that is often carried out to increase its profitability was to increase inventory sales so that inventory turnover also increases. Conversely, if the slower turnover of the inventory, the smaller the profit gain. In the study inventory management was not the problem of the respondents for they were highly efficient. It was good indication and potential of economic growth among small business owners. Inventory turnover is a key performance indicator for managing and growing the business.

Impact in terms of Return on Investment

Table 3C showed the impact of microfinancing in terms of return on investment or the measurement of potential financial returns from the business. It was revealed in the table respondent are very low efficient. Only the meat shop was very highly efficient. It could be analyzed that the respondent's business had low income and slow feasibility of growth. ROI was also used to describe "opportunity cost," or a return the investor gave up to invest in the company. In this case the microentrepreneurs found some difficulties on how to sustain their business after they availed microfinance services. It could be implied that the poor recovery of capital investment of small-scale business was geared toward survival and not expansion which led to slower growth on their business operation. The lack of skills in business could be one of the attributes that contributed to this factor. Jamak, Ghazali, and Sharif (2017) said that Microenterprises might have failed to utilize capital for innovation and

expansion. Thus, microfinancing, coupled with skills and innovation, may have more impact. This was related to the study in the sense that through return-on-investment analysis it could help respondents in making the right investment decision. Moreover, it helped to planned, to managed and to assessed business taking impacts into account.

Table 7. The Average Monthly Return in Investment

Type of Business	
Sari-sari store	Low efficient
Meat Shop	Very Highly efficient
Buy and Sell of Nipa	Very low efficient
Buy and Sell of Rice and Palay	Low efficient
Fishmonger	Very low efficient
Vegetable Store	Very low efficient
Plastic Wares and School Supplies	Very low efficient
Food Vending	Very low efficient

Descriptive Rating:

More than P 40 001-Very Highly efficient

P30 001-P40 000-Highly efficient

P20 0001-P30 000-Moderately efficient

P10 001-P20 000-Low efficient

Less than P10 000- Very low efficient

The findings of the study were related to financial sustainability theory because profitability had a very low efficiency, it had a negative impact on the cash flow of the business and might increase stress throughout the organization. Low profits leave no room for revenue or expense fluctuations and limit the ability to reinvest, which can ultimately compromise the financial sustainability this was what happened in the situation of microentrepreneurs of Ragay. On the other hand, there was a need for financial liberalization the generation of high saving rates and investment was necessary in order for a business to survive. The subsequent real growth was supposed to be seen among microbusiness in Ragay through the aid of microfinance institutions which provided a leeway to the owners of small businesses an incentive to borrow and save, thus enabling them along the process to accumulate more equity thereby lowering the cost of borrowing. Financial liberalization reduces the cost of borrowing as it lowers interest rate spreads and requirements on loan collateral resulting to lowering the debt-to-equity ratio which lead to increase in economic growth.

Business Framework in Enhancing Microfinance Impact on the Small-Scale Businesses in Ragay

The framework was presented in input, process, and output. It summarized the various activities in this study. It explained the processes involved and proposed a model to enhance small-scale businesses' business

performance in Ragay. The input of this study was the findings and results taken from the survey respondents. The researcher conducted an interview thrice to illicit the detailed facts of their experiences on the impact of microfinancing to foster accurate feedback and information. In the process, a framework was developed and crafted based on the interview and feedback of the Microentrepreneurs regarding the challenges they encountered from different personnel or employees of microfinancing companies and the community of Ragay. The researcher also looked for some articles that might help during the conceptualization of the framework about the impact of microfinancing. Finally, a framework illuminated the outcome of the research paper. They collected and synthesized all the key factors relevant to developing a model for enhancing the Business Performance of Small-Scale Businesses in Ragay, Camarines Sur.

The proposed model addressed significantly the three aspects first, Liquidity; second, inventory turnover; and third, the return on investment. In terms of Liquidity, it suggests focusing on short-term cash management by maintaining a cash portfolio to monitor the inflow and outflow of their money. Another is through Online Loan Services. Automated loan repayment can be a solution and a great help to microfinance institutions' borrowers. Consumers can now expect the simplicity and efficiency that automation provides. Microentrepreneurs will no longer go to payment centers every week, waste too much time waiting for their turn to pay, reduce their additional expenses, remove bottlenecks, and diminish the risk of carrying cash and untoward incidents. On the part of the MFI, it helps lenders exceed borrower expectations from digital engagement. It sets new standards for flexibility, configurability, and scalability in servicing its clients. Moreover, it will also promote better accuracy of data entry, lower processing time, optimal workflow distribution, mitigate risks for remote areas services and enhance their profit margins. The last proposed way was shifting short-term debt to long-term debt; thus, it will make the cash available and use it to improve the operation.

Terms of inventory management are vital in producing sales and profit for a business. Encouraging Customers to Place Pre-Orders will be an immediate and guaranteed sale of merchandise; however, they should ensure they can handle buyers' requests. Moreover, they can introduce the concept of aesthetic e-commerce marketing during pre-ordering, where the customers will look and feel into the product they will be buying by maintaining consistency and aligning the product tone, color, shape, style, and personality to their needs and wants. Microentrepreneurs can do this by creating a webpage that will market and sell their products.

Microfinance should provide a monitoring system through Microentrepreneur Journey Mapping by conducting surveys and interviews among the Microentrepreneurs regarding the situation of their business as much as possible once a month to monitor the progress or growth of business entrepreneurs. Another is suggested to use a predictive analytics model, a simple model such as a decision tree, classification, forecasting, etc., that microentrepreneurs can adopt. This can be learned through seminars and

training conducted by MFIs. Predictive analytic models assess historical data, discover patterns, observe trends, and use that information to predict future trends. This model would help the Microentrepreneur of Ragay gain a competitive advantage, find new revenue opportunities, optimize business performance, increase asset utilization, and improve production capacity and quality, leading to a greater return on investment.

The Acceptance of Microenterpreneurs to the Proposed Model

Respondent’s level of acceptance for objective, content, presentation and usefulness of the proposed model had the same descriptive rating of perfectly acceptable, having the mean of 4.50, 4.60, 4.30 and 4.80 respectively.

Although the respondents had a low coping mechanism with the challenges and difficulties, they encountered with their business still they were willing to learn and improve their business performance. The MFIs must do some ways to address this problem and help alleviate the business situation of the microentrepreneurs because they were their partners in their microfinance business. The LGU as well must help them because they are one of the factors why community develop. It can be implied that microentrepreneurs of Ragay were willing to alleviate their situation by finding solution to the problems they encountered in availing microfinance services by analyzing the effect of microcredit which enabled entrepreneurship to assessed the overall life satisfaction on MFIs.

Table 8. Acceptance of Respondents to the Proposed Model

CRITERIA	WEIGHTED MEAN	ACCEPTANCE
Objective	4.50	Perfectly Acceptable
Content	4.60	Perfectly Acceptable
Presentation - Design of the model	4.30	Perfectly Acceptable
Usefulness	4.80	Perfectly Acceptable

Legend: Range
 Descriptive Rating:
 4.50 – 5.00 Perfectly Acceptable
 3.50 – 4.249 Acceptable `
 2.50 – 3.49 Neutral
 1.50 – 2.49 Unacceptable
 1.00 – 1.49 Totally Unacceptable

According to Asian Bank Development (2020), Microfinance could break down these barriers. It helped low-income households to stabilize their income flows and save for future needs. In good times, microfinance helped families and small businesses to prosper, and at times of crisis it could helped them cope and

rebuild. Through the suggested model it might respond to the needs of the respondent to solve high-risk of borrowing money from microfinance and made the business of small-scale business sustainable.

CONCLUSION

Sari-sari store and Meat shop were the common business because it did not require big capitalization and the customers would patronize said business because basically the commodities being sold were the basic needs of the people. Respondents were engaged in small type of business and highly dependent from microfinance in attaining their capital they mostly acquire loans so that they can start their business. However, They kept their eyes closed when availing the loans in terms of the interest charge and loan term, microentrepreneurs were not thinking and planning for possible problems that might arise on it. They did not have a long-term goal in their businesses and contingency plan. Pertaining to the impact of microfinancing to small-scale business the respondent's status show that, financially, they were not in good condition because the available cash left on hand with them after payment was too minimal hence it's difficult to sustain the operation of the business. The inventory turnover was very highly efficient it means they have a good sales inventory and their inventory was well managed. However, it was not the source of the problem hence their repayment of debts from microfinance due to personal and family consumption. The ROI was very low efficient hence it was too small, it should be large enough for expansion so that their business can grow. This could be a hindrance to expand their business.

RECOMMENDATIONS

The researcher suggested that in order that the people will patronize their sari -sari store they should have a complete grocery or supplies in their store while on meat shop, they should offer various cut of meat for different menu with this they will have a loyal customer which will improve their day-to-day operations. Microentrepreneurs should not be dependent on the MFIs with their capital they should first save money if they want to venture from business. The microentrepreneurs who are availing the services of microfinance must study carefully the terms being offered with them. They must learn which among the MFIs offered the best services that are suitable with their situation and capacity to pay. Microentrepreneurs should set business goals and objectives and they must have contingency plan.

In terms of liquidity, the microentrepreneur should monitor also the money drawn from the business to finance the needs of the family because taking too much money can put unnecessary drain on the business. They should understand better the concept of financial literacy to manage well their

business and improve their personal finances. On the part of microfinance institutions, they should offer a flexi loan repayment, hence the payment will be schedule based on the capacity to pay of the debtor, thus it's a win-win solution for both MFIs and debtor hence this will increase the percentage of repayment of debt and greater income. Another is modification of loan product one way to solve liquidity of the business was to pay off liabilities using long-term financing this will keep money longer by negotiating with MFIs, decrease overhead costs, monitor receivable by making sure that clients are billed properly and receiving prompt payments. MFIs can also revised their policy on group lending hence individual lending is much better for it will not cause default of payments.

In terms of inventory turnover, proper forecasting of the business is necessary, predictive analytics can be used by using different models, effective marketing, encourage sale of old stock, smart pricing strategy and encourage the customer to have pre orders. One way to be innovative is through the massive expansion of technological advancements in their operations hence rampant transaction occurred everyday due to globalization, upgrading the system of management is very vital in order to be adept with change.

In terms of return on investment, Extensive training should be given to microentrepreneurs of Ragay to improve their technical skills, entrepreneurial skill and management skills. Educating them is very vital in aiding them to face the challenges brought by business and help them to identify and recognize entrepreneurial opportunities and managing resources. Microentrepreneurs should be improve sales and customer relationships. Thus, customers will notice and appreciate the extra value they are bringing with them. It can translate into sales and improve the market position. Another thing to do is to gain experience working on exciting, challenging, and innovative projects. Financial planning is very important they must have strategies to meet up the needs of business. They must also refrain from availing various MFIs so that they won't find a hard time for payment. Lastly the LGUs must provide support for the development of microentrepreneurs so that the problem brought up by external environment will be able to solve.

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