

Perceived Impact of Microfinance Services on Borrowers

Arran Joyce B. Rojero

University of Eastern Philippines, Catarman, Northern Samar, Philippines

Author Email: arranrojero221@gmail.com

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Abstract. This study focused on determining the perceived impact of microfinance services on selected borrowers in Northern Samar, particularly in terms of socio-economic welfare, income, standard of living, and poverty alleviation. Utilizing a descriptive-quantitative research design, the study surveyed 383 borrowers from two microfinance institutions in Northern Samar. Data were gathered using a validated survey questionnaire and statistically analyzed using weighted means. The results showed that microfinance services have a high overall perceived impact. Notably, both socio-economic welfare and standard of living revealed substantial improvements in children's education, access to basic needs, transportation, sanitation, and electricity. Poverty alleviation had the highest impact across all indicators, underscoring the role of microfinance in increasing productivity and reducing vulnerability to poverty. The income received had a high impact, indicating enhanced purchasing power and household financial contribution, albeit with a relatively lesser direct effect on income growth. The results highlight the critical role these services play in improving living conditions in Northern Samar. These insights may serve as a valuable starting point for future research that incorporates inferential methods and additional indicators to guide program development and policymaking, thereby better supporting long-term socio-economic progress.

Keywords: Income; Microfinance; Poverty alleviation; Socio-economic welfare; Standard of living.

1.0 Introduction

In the Philippines, one of the never-ending socio-economic challenges remains poverty reduction, particularly affecting the island of Northern Samar. Microfinance services are used to improve household welfare in various communities. This scheme enhances household welfare by providing low-income earners with low-collateral financial services, including credit, insurance, and savings. According to Ullah et al. (2024), microfinance has a significant contribution to entrepreneurial development among poor and underemployed youth, effectively reducing poverty and unemployment. In the Philippine context, the Bangko Sentral ng Pilipinas (2022) highlights how microfinance institutions (MFIs) support national development goals by promoting grassroots-level financial empowerment and community resilience.

On the other hand, existing studies have highlighted the broader impacts of microfinance, facilitating access to capital and empowering marginalized groups by fostering entrepreneurship and improving household decision-making dynamics (Olusegun, 2024). However, much of this literature emphasizes measurable financial outcomes, often overlooking borrowers' lived experiences. Aboagy and Anong (2020) argued that consumer perceptions regarding microfinance reveal significant insights into financial inclusion, underscoring the importance of incorporating clients' feedback to comprehend the effectiveness of microfinance services fully.

Furthermore, the MFI located in Northern Samar, particularly the Northern Samar Development Workers Cooperative (NSDWCC) and Dunganon (A Microfinance Rural Bank) Inc., have introduced lending schemes

tailored to the needs of disadvantaged individuals, offering financial literacy support and low-interest loans. While there is well-documented national and global literature on microfinance, few localized studies in Northern Samar remain limited. Specifically, little is known about how borrowers in the province perceive the impact of these services on their socio-economic welfare, income, standard of living, and poverty alleviation. As a result, the researcher aims to provide a comprehensive understanding of the effectiveness of microfinance for the selected borrowers in Northern Samar. It seeks to fill the gap by exploring how borrowers perceive the impact of microfinance services on their lives. Additionally, the findings are expected to provide in-depth insights that can significantly enhance existing microfinance programs and make them more responsive to borrowers' needs.

2.0 Methodology

2.1 Research Design

The study utilized a descriptive-quantitative research design to assess the perceived impact of microfinance services on selected borrowers in Northern Samar. A descriptive design systematically describes the area of interest, while the quantitative approach involves collecting and analyzing numerical data. This method is suitable for collecting numerical data that can be statistically analyzed to gain insight into the information of microfinance borrowers. For instance, Chikwira et al. (2022) employed a quantitative approach to evaluate the impact of microfinance institutions on poverty alleviation, demonstrating the effectiveness of this methodology in similar contexts.

2.2 Research Locale

The study was conducted in Northern Samar, a province in the Eastern Visayas region of the Philippines known for its socio-economic challenges. The research focused on two well-established MFIs, namely the NSDWCC and Dungganon Inc., which were perfectly selected for their extensive outreach and outstanding role in providing financial services to low-income households. These institutions were chosen briefly due to their long-term presence in the province and diverse financial products, which make them representative of local microfinance practices. By focusing on these organizations, the study captured borrower perspectives on the impact of microfinance services, ensuring the findings are context-specific and reflect actual experiences.

2.3 Research Participants

The study targeted 6,100 borrowers from two well-established microfinance institutions, NSDWCC and Dungganon Inc. A sample size of three hundred sixty-two (362) respondents was determined using Morgan's Table and selected using a random sampling. Eligible participants were active borrowers for at least three (3) years to ensure they had sufficient experience to assess the impact of the offered services.

2.4 Research Instrument

Data were collected using a standardized survey questionnaire adopted from the study of Her-Loke Koh et al. (2021) and Arif Billah et al. (2023). Prior to distributing the instrument, it underwent pre-testing to confirm its validity and ensure alignment with the study objectives. The validation yielded Cronbach's alpha test results of 0.862 to 0.964, which are considered good to excellent. Therefore, no alterations were made to the research instrument. The survey measured the impact of microfinance services across four key indicators: the borrowers' socio-economic welfare, income, standard of living, and poverty alleviation.

2.5 Data Gathering Procedure

This study used specific steps to collect data. Data collection began with securing formal approval from the research adviser and obtaining authorization from the two MFIs. Following this, the researcher personally administered the survey to eligible respondents, ensuring that data was gathered ethically and respectfully and secured for educational purposes. The collected data were then organized, categorized, and analyzed.

2.6 Ethical Considerations

The research study adhered to ethical guidelines, ensuring that respondents' participation was voluntary and that their responses were kept confidential. Respondents were informed of their right to withdraw without consequences, and the data collected were used strictly for academic purposes. No harm was inflicted on any participant throughout the study.

3.0 Results and Discussion

3.1 Perceived Impact of Microfinance Services

Socio-Economic Welfare

Table 1 shows that microfinance services have a consistently substantial positive impact on the socio-economic welfare of borrowers, with all statements being rated as “Very High Impact”. The highest-rated statement highlighted the critical role of financial support in meeting everyday necessities. Similarly, the provision of microfinance was perceived to improve children’s education, support business startups, and enhance access to healthcare. Although the impact on healthcare was the lowest among the four statements, it still indicated a positive perception, suggesting that microfinance contributes to the respondent’s well-being beyond financial gains. The results show that borrowers consistently recognize microfinance as beneficial across various welfare aspects. This uniformity may be attributed to the multi-dimensional support offered by microfinance institutions, which aligns with Mendoza et al. (2023), who reported that access to small loans enabled them to expand their businesses, increase production, and secure a more stable source of income. However, the results also highlight that despite its positive impact on education and business indicators, healthcare improvements remain a secondary benefit, suggesting a potential area for further enhancement by MFIs.

Table 1. *Weighted Mean on the Perceived Impact of Microfinance Services on Socio-Economic Welfare*

Indicators	Weighted Mean	Interpretation
Microfinance services enabled my household to access basic needs.	4.47	Very High Impact
Microfinance services improved my children’s educational standard.	4.45	Very High Impact
Microfinance services assisted households in starting a business.	4.40	Very High Impact
Microfinance services assisted me in improving healthcare.	4.35	Very High Impact
<i>Note:</i> 4.20-5.00 Very Strongly Agree Very High Impact 3.40-4.19 Strongly Agree High Impact 2.60-3.39 Agree With Impact 1.80-2.59 Moderately Agree Moderate Impact 1.00-1.79 Disagree No Impact		

Income

Table 2 reveals that microfinance services have a significant impact on borrowers’ income, suggesting that microfinance supports direct income generation and improves access to essential services, such as sanitation, which can indirectly enhance household well-being. Other statements, such as increasing livelihood, transportation, and access to power resources, reflect a positive but slightly lower perception. These findings suggest that while microfinance strengthens borrowers’ purchasing power and expands their ability to generate income, its direct effect on income growth may be modest. According to Alam and Azad (2021), microfinance significantly boosts income-generating activities and employment, but may not always translate into immediate income gains. Similarly, Makara et al. (2024) reported that savings-led microfinance programs effectively increased household incomes and facilitated access to basic needs. However, the impact on income growth varied based on fund utilization. It indicates that borrowers perceive microfinance as more effective in providing access to utilities and resources than directly increasing income. Regression analysis is applicable for a more in-depth understanding of which borrower characteristics most influence income improvements.

Table 2. *Weighted Mean on the Perceived Impact of Microfinance Services on Income*

Indicators	Weighted Mean	Interpretation
The microfinance services allowed me to access a better sanitation system.	4.27	Very High Impact
The microfinance services enabled me to increase my livelihood resources.	4.15	High Impact
The microfinance services enabled me to increase my transportation resources.	4.12	High Impact
The microfinance services allowed me to access power resources such as electricity and gas.	4.07	High Impact

Standard of Living

The result for Table 3 shows that microfinance services had a substantial positive impact on the standard of living of borrowers, with all indicators rated as “Very High Impact”. The highest rated statement suggests that borrowers perceive microfinance as very effective in supporting livelihood opportunities, such as small businesses or agricultural activities. This aligns with the idea that financial access empowers individuals to generate income and sustain economic activities. Access to essential utilities, including electricity and gas, as well as improved transportation options, reflects how microfinance can enhance quality by improving access to critical services. The lowest-rated statement still achieved a “Very High Impact”, indicating that even this lower rating reflects a positive perception. It suggests a consistently high impact across all indicators but with a stronger focus on economic resources over basic utilities. These results are consistent with the findings of Iqbal (2024), which

examined that the impact of MFIs effectively improved household incomes and living conditions, particularly when loans were utilized for income-generating activities. This underscores how funds are utilized to determine the extent of improvement in living standards.

Table 3. *Weighted Mean on the Perceived Impact of Microfinance Services on Standard of Living*

Indicators	Weighted Mean	Interpretation
The microfinance services enabled me to increase my livelihood resources.	4.48	Very High Impact
The microfinance services allowed me to access power resources such as electricity and gas.	4.43	Very High Impact
The microfinance services enabled me to increase my transportation resources.	4.40	Very High Impact
The microfinance services allowed me to access a better sanitation system.	4.36	Very High Impact

Poverty Alleviation

Table 4 shows that microfinance services have a substantial “Very High Impact” on poverty alleviation on all indicators. The highest-rated statement highlights the role of microfinance in providing accessible credit to underprivileged populations. It is followed by increased productivity and earnings activity, suggesting that borrowers recognize microfinance as a means to enhance their productivity and income potential. The identical ratings further underscore the importance of microfinance in promoting economic stability. It reflects a continuous, strong, positive perception among the borrowers, indicating that they view microfinance as a critical tool for overcoming financial hardships. These findings align with those of Rivera et al. (2023), who emphasized that microfinance empowers borrowers by improving access to basic needs, healthcare, and education, ultimately reducing poverty.

Table 4. *Weighted Mean on the Perceived Impact of Microfinance Services on Poverty Alleviation*

Indicators	Weighted Mean	Interpretation
The microfinance services allowed us to avail ourselves of financial resources more easily than commercial banks.	4.59	Very High Impact
The microfinance services made us more productive and increased our earning capacity.	4.54	Very High Impact
The microfinance services played a vital role in tackling the rapid rise in poverty.	4.52	Very High Impact
The microfinance services fulfilled the minimum capital requirements for livelihood development.	4.52	Very High Impact

Overall Perceived Impact of Microfinance Services

The results in Table 5 present the overall perceived impact of microfinance services, ranging from the highest to the lowest rates of perception regarding poverty alleviation, socio-economic welfare, standard of living, and income. Poverty alleviation reflects strong borrower recognition of MFIs as a tool for overcoming financial challenges. Socio-economic welfare and standard of living indicate a significant improvement in access to essential services, supporting education and enhancing borrowers' daily living conditions. In terms of income, while MFIs contribute to income generation and household finances, their direct effect on income stability may vary. These results align with the findings of Billah et al. (2023), which examine the critical role of microfinance in reducing poverty through the involvement of MFIs, advantages that include lowering credit requirements and access to capital, which help mitigate the challenges brought on by low incomes. MFIs must monitor their clients' relationships and preserve their viability. For greater analytical depth, future research could employ other techniques to explore characteristics most strongly associated with higher perceived impact, thereby providing more insights for targeted service improvements.

Table 5. *Overall Perceived Impact of Microfinance Services*

Perceived Impact of Microfinance Services on the Borrowers	Weighted Mean	Interpretation
Poverty Alleviation	4.54	Very High Impact
Socio-Economic Welfare	4.42	Very High Impact
Standard of Living	4.42	Very High Impact
Income	4.14	High Impact
Overall Weighted Mean	4.38	Very High Impact

4.0 Conclusion

The study concludes that microfinance services have a highly positive and perceived impact on the lives of the selected borrowers in Northern Samar, particularly in terms of poverty alleviation, socio-economic welfare, and standard of living. MFIs such as NSDWCC and Dunganon Inc. have significantly improved their clients'

economic stability and overall quality of life, providing access to essential financial services. The findings affirm that microfinance effectively empowers low-income earners, reduces financial vulnerabilities, and supports local development. Despite the slightly lower but still high impact on income, the services offered by MFIs remain essential tools for inclusive growth and long-term socio-economic progress. Future studies may build on this research by exploring how borrower characteristics affect the perceived impact or by applying inferential analysis to determine which aspects of microfinance have a significant influence on poverty reduction and income growth.

5.0 Contributions of Authors

Ms. Arran Joyce B. Rojero is the sole author of this study and was responsible for all aspects of the research process. The author affirms that this is her original, reviewed, and approved as final work.

6.0 Funding

This work received no specific grant from any funding agency.

7.0 Conflict of Interests

The author declares no conflict of interest in the conduct of this study.

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