

EXTENT OF CONTRIBUTION OF MICROFINANCING INSTITUTIONS IN THE SUSTAINABLE GROWTH OF FOOD BUSINESSES IN BAYOMBONG, NUEVA VIZCAYA

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ABSTRACT

This research investigated the extent of contribution of microfinance institutions to the sustainable growth of food businesses in Bayombong, Nueva Vizcaya. By examining financial, social, and environmental factors, the study contributes to a comprehensive understanding of sustainable growth. Data was collected from food business owners across five barangays using a quantitative-qualitative approach. Key findings reveal that microfinance institutions significantly contribute to business growth through specialized financial services, technical support, and financial literacy training. However, challenges such as the need for better environmental practices and more strategic credit utilization were identified. The study concludes that microfinance institutions play a vital role in supporting food businesses and that continuous improvement in service delivery and support mechanisms is necessary to maximize their extent of contribution. Aligning microfinance services with the specific needs of food businesses can further strengthen their growth and sustainability. This research provides valuable insights for optimizing microfinancing strategies to support local economic development and community resilience.

Keywords: Business growth, credit utilization, economic development, environmental sustainability, financial literacy, financial services, microfinance, social impact, sustainable development, technical support

INTRODUCTION

Businesses are widely regarded as the backbone of a nation's economy, providing essential opportunities for the workforce to engage in productive labor. Their contribution to raising living standards and generating global employment is well-documented (Garba, 2019). Fundamentally, a business encompasses the activities conducted by individuals or organizations to produce goods and services for profit (Nilsson & Robinson, 2017). Consequently, many nations prioritize the growth of the business sector as a prerequisite for long-term economic success.

Food businesses are vital to economic stability, with emerging countries playing a key role in driving the sector's growth and market performance (Gyimah & Boachie, 2018). However, like many micro-businesses in many developing countries, they continue to face significant obstacles to expansion, innovation, and job creation. According to Lwesya and Mwakalobo (2023), these challenges are driven by underdeveloped formal financial institutions characterized by risk aversion, strict size restrictions, and a systemic bias against small-scale enterprises. For food businesses, they sometimes face financial constraints that limit their growth. This is where microfinance institutions become significant aid in helping businesses expand and develop (Jalil, 2022; Hasan & Batra, 2018).

Microfinance institutions (MFIs) have emerged as critical enablers of micro-business growth especially in emerging areas where traditional banking services could be lacking. Microfinance encourages entrepreneurs to start or expand their micro-businesses by offering micro-loans and financial services to those who would otherwise be excluded from the official banking system. Because of this, microfinancing has been an important tool for promoting economic growth, particularly in low-income areas. It makes it possible for individuals and

businesses to acquire the funds they need to advance their business goals (Khatri, 2022; Lwesya & Mwakalobo, 2023). Some of the financial services offered by microfinancing include microcredit, savings programs, micro-pensions, and microinsurance.

This study aims to identify the factors associated with microfinance acquisition that facilitate the sustainable growth of food businesses. Specifically, it examines how access to capital enables small-scale food entrepreneurs to maintain daily operations and ensure long-term viability. Exploring the extent of microfinancing institutions' contribution to the sustainable growth of food businesses in Bayombong, Nueva Vizcaya, is grounded in the pursuit of sustainable development goals (SDGs). The reduction of poverty, economic growth, and the development of sustainable communities have all been recognized by the UN as essential elements of its Sustainable Development Goals (SDGs 2013).

Moreover, this study intended to measure sustainable growth of the food businesses using criteria like an increase in stock level, sales volume and value, profitability, market share, and capital. To assess the impact of microfinance, Attefah (2014) measured changes in small business assets both before and after MFI intervention. This evaluation extended to personal metrics such as consumption habits and lifestyle enhancements, illustrating the holistic influence of MFIs on entrepreneurs.

Growth is defined as an increase in size or other tangible products and a modification or enhancement to the work process. Business size is the outcome of long-term firm growth, and it is important to remember that sustainable growth represents the effective utilization of micro-financing. Micro-financing should serve to increase income levels, boost employment, and relieve poverty (Goto & Negash, 2016). Meanwhile, "sustainable" refers to maintaining stable long-term financial, social, and environmental performance. In the long term, the growth of these companies usually requires internationalization, which, however, presents challenges for MSMEs due to their lack of resources and marketing knowledge needed to internationalize successfully (Farghly et al., 2018). Sustainable growth involves three dimensions: financial, social, and environmental.

The significance of this study comes from the fact that only a few studies have looked at this topic in this specific area. This study aims to explore the extent of microfinance's contribution to the sustainable growth of these food businesses and evaluate how microfinancing impacts the financial, social, and environmental aspects of a business's sustainable growth. Additionally, it sought to assess the effectiveness of microfinance services and gather recommendations from food business owners to improve the contribution of microfinance institutions in promoting sustainable business practices. Food businesses benefit from increased access to financial resources, resulting in more opportunities for sustainable growth. Future researchers can now also have a foundation on which to build, allowing for further investigation and innovation in the field of study.

Statement of the Problem

This study sought to determine the extent of microfinancing institutions' contribution to the sustainable growth of food businesses in Bayombong, Nueva Vizcaya, for the midyear of the academic year 2023-2024.

This study aims to investigate the following key issues:

1. What is the profile of businesses in terms of;
 - 1.1 Type of Business Ownership;
 - 1.2 Number of Years of Operation;

- 1.3 Number of Years of Availing of Microfinancing Services; and
- 1.4 Initial Capitalization?
2. What is the extent of contribution of microfinancing in the sustainable growth of food businesses in terms of:
 - 2.1 Financial;
 - 2.2 Social; and
 - 2.3 Environmental?
3. What are the respondents' recommendations for improving the contribution of microfinancing institutions to the sustainable growth of food businesses in Bayombong, Nueva Vizcaya?

METHODOLOGY

This research study used a quantitative–qualitative method aimed at attaining an extensive understanding of the extent of the contribution of microfinancing in the sustainable growth of food businesses in Nueva Vizcaya. This study used a descriptive design to describe the profile of the businesses and the extent of the contribution of microfinancing institutions in the sustainable growth of the food business in Nueva Vizcaya. This study also used a qualitative design to reveal the respondents' recommendations for improving the sustainable growth of food businesses in the area. The respondents of the study included the owners of the food businesses, particularly eateries in District IV, Don Mariano Marcos, Don Mariano Perez, Magsaysay, and Salvacion Bayombong, Nueva Vizcaya operating for at least 5 years with a sample size of at least 47 Food businesses that have been officially listed in the Local Government Unit's Business Permit and Licensing Office (BPLO) of Bayombong from 2024 to the present and have obtained a loan from microfinance institutions for at least 3 years. Purposive sampling was employed to ensure the quality of the data used in this study.

RESULTS AND DISCUSSION

Section 1. Profile of Businesses

Table 1

Type of Business Ownership

Business Ownership	Frequency	Percentage
Sole proprietorship	47	100.0
Total	47	100.0

Regarding business type, there is only one category for this study: sole proprietorship. All 47 respondents (100%) in this study are sole proprietors, meaning that the food businesses in the selected area of Bayombong, Nueva Vizcaya, are entirely owned and managed by individuals without partners or corporations.

Table 2

Number of Years of Operation

Number of Years of Operation	Frequency	Percentage
5 years	18	38.3
6 years	6	12.8
7 years	9	19.1
8 years and above	14	29.8

Total	47	100
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The distribution of the respondents in terms of years of operation suggests that while a substantial number of businesses have survived past the initial few years, many still face difficulties in maintaining long-term growth, as indicated by fewer businesses operating for longer durations. The significant proportion operating for five years implies that most businesses in the food sector may still be in the growth or stabilization phase. Still, those that surpass eight years may reflect more established operations that have found strategies to sustain their ventures in a competitive market.

Table 3*Number of Years of Availing Microfinancing Services*

Number of years of Availing Microfinancing Services	Frequency	Percentage
3 years	33	70.2
4 years	6	12.8
5 years and above	8	17.0
Total	47	100

The high concentration of businesses that have only recently accessed microfinancing services suggests that microfinance plays a crucial role in supporting early growth or addressing financial challenges within the first few years of operation. The smaller proportion of businesses using microfinancing for longer periods could indicate that businesses either outgrow the need for these services after a certain period or face difficulties in maintaining microfinance programs as part of their long-term financial strategy.

Table 4*Initial Capitalization*

Initial Capitalization	Frequency	Percentage
10,000 and below	13	27.7
11000 to 30000	13	27.7
31000 to 60000	6	12.8
61000 and above	15	31.9
Total	47	100

This range highlights that a significant portion of businesses launched with limited financial resources, while those with higher initial capital may have had better access to assets, inventory, or opportunities for growth. The businesses with lower startup funds likely rely heavily on microfinancing to support operations and expansion. At the same time, those with higher initial investments may have more flexibility in managing operational challenges and are potentially better positioned for sustained growth.

Section 2. Extent of the Contribution of Microfinancing in the Sustainable Growth of Food Businesses

Table 5*Sustainable Growth- Financial Growth*

Statements	Mean	Std. Deviation	Qualitative Description
1. Microfinancing helps my business in increasing productivity.	3.34	.479	Agree

2. Microfinancing helps my business's operational policy encourage competition.	3.32	.471	Agree
3. Microfinancing helps my company's operational strategy, which promotes collaborative workplaces.	3.26	.441	Agree
4. Microfinancing helps our business to produce as many items and/or services as possible generated or performed	3.49	.505	Agree
5. Microfinancing helps the overall efficiency of managing resources in my business	3.36	.486	Agree
6. Microfinancing helps my business convert sales into cash.	3.45	.503	Agree
Sustainable Growth- Financial Growth	3.37	.324	Agree
<i>Legend: 3.50-4.00 Strongly Agree 1.50-2.49 Disagree</i>			
<i>2.50-3.49 Agree 1.0-1.49 Strongly Disagree</i>			

These results suggest that microfinancing supports food businesses by enhancing their operational efficiency, improving cash flow management, and fostering growth. However, businesses may still face challenges in maximizing these benefits, possibly due to external factors like market conditions or internal resource constraints.

Table 6
Sustainable Growth- Social Growth

Statements	Mean	Std. Deviation	Qualitative Description
1. Microfinancing helps us to prioritize sourcing ingredients or products from local suppliers to support the community.	3.19	.398	Agree
2. Microfinancing helps us to participate in or organize community events or activities regularly.	3.21	.414	Agree
3. Microfinancing helps customer interaction and feedback to foster a sense of community involvement.	3.28	.452	Agree
4. Microfinancing helps local causes or charities through donations or volunteer work.	3.38	.491	Agree
5. Microfinance helps by making financial services available to all people in the community, regardless of socioeconomic background.	3.45	.503	Agree
6. Microfinancing helps me hire additional employees to expand my business.	3.45	.503	Agree
Sustainable Growth- Social Growth	3.33	.27	Agree
<i>Legend: 3.50-4.00 Strongly Agree 1.50-2.49 Disagree</i>			
<i>2.50-3.49 Agree 1.0-1.49 Strongly Disagree</i>			

These results suggest that access to financial services allows small food businesses to expand their workforce and support community involvement. Despite these benefits, the slightly lower means for statements related to sourcing locally and participating in community events imply that more can be done to leverage microfinancing for broader social impact, such as stronger community ties and ethical sourcing practices.

Table 7*Sustainable Growth - Environmental Growth*

Statements	Mean	Standard Deviation	Qualitative Description
1. Microfinancing helps my business participate in an active recycling program for garbage.	3.15	.360	Agree
2. Microfinancing helps mitigate the negative environmental effects associated with my business's food preparation area.	3.17	.380	Agree
3. Microfinancing helps my business to limit the use of commodities that are collected from nature.	3.23	.428	Agree
Sustainable Growth- Environmental Growth	3.18	.293	Agree

Legend: 3.50-4.00 Strongly Agree 1.50-2.49 Disagree
2.50-3.49 Agree 1.0-1.49 Strongly Disagree

The respondents' overall agreement that microfinancing helps in environmental sustainability is reflected in a mean of 3.18. The highest-rated statement, "Microfinancing helps my business to limit the use of commodities collected from nature" (mean = 3.23), indicates that businesses recognize the importance of reducing their environmental impact through responsible resource use. The high environmental factors can be attributed to the significant impact of microfinance institutions in promoting sustainable practices in food businesses. With the financial support and guidance provided, businesses have adopted environmentally responsible practices such as waste segregation. These efforts, combined with the focus on community-driven environmental initiatives, have enabled business owners to engage in activities like recycling and reducing waste, all of which contribute to high environmental sustainability outcomes. However, the other statements regarding recycling and mitigating negative environmental effects scored slightly lower, suggesting that while businesses are aware of environmental concerns, they may not fully integrate eco-friendly practices into their operations.

Section 3. Recommendations of the Respondents to Improve the Contribution of Microfinancing Institutions in the Sustainable Growth of Food Businesses in Bayombong, Nueva Vizcaya

Table 8
Recommendations of the Respondents to Improve the Contribution of Microfinancing Institutions in the Sustainable Growth of Food Businesses in Bayombong, Nueva Vizcaya

Themes	Frequency	Percentage
FINANCIAL GROWTH		
Loan Accessibility and Flexibility	10	21.28
Interest Rates and Fees	3	6.38
Effective Use of Loans	1	2.128
Risk Management and Policy Transparency	2	4.26
SOCIAL GROWTH		
Client Support and Relationship Management	4	8.51
Financial Literacy and Technical Support	4	8.51
Networking and Market Connections	2	4.2

Digital and Innovative Solutions	1	2.13
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ENVIRONMENTAL GROWTH		
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Environmental and Ethical Practices	1	2.13
Impact Assessment and Monitoring	1	2.13

These recommendations collectively suggest that while microfinancing is beneficial, more tailored and client-focused approaches could further enhance its contribution to the sustainable growth of food businesses. Overall, the table indicates that improving loan accessibility and flexibility, strong client service, and financial awareness are key objectives in the financial services sector.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. All the businesses are sole proprietorships, operating for five years and using microfinance services for three years. The initial capitalization varies significantly, indicating different financial foundations.
2. Microfinancing institutions significantly contribute to these food businesses' financial, social, and environmental responsibility. Financially, microfinancing helps alleviate capital constraints, allowing businesses to expand and operate more efficiently. Socially, the availability of these services promotes inclusivity by enabling smaller and newer businesses to compete in the market. Environmentally, the support from microfinancing institutions encourages businesses to adopt more sustainable practices.
3. The recommendations highlight the need for microfinance institutions to provide more accessible and flexible loans, promote financial literacy and technical support, and client support and relationship management to help food businesses in Bayombong, Nueva Vizcaya, achieve sustainable growth. Business owners are urged to implement responsible financial practices, invest in environmentally and socially sustainable initiatives, and expand their industry networks. Additionally, educational institutions like Saint Mary's University can contribute by supporting research and providing practical guidance to future entrepreneurs. By working together, these stakeholders can ensure improved financial accessibility, sustainable business practices, and long-term growth for small enterprises in the region.

Recommendations

For the Microfinance Institutions. Microfinance institutions can increase flexibility through various strategies. These include offering flexible repayment schedules that accommodate seasonal income fluctuations, grace periods, and partial payments. Additionally, MFIs can provide valuable business development support through training, mentorship, and networking opportunities.

For the Business Owners. Food businesses may engage in financial literacy programs to ensure proper management of loans, focusing on sustainable growth by investing in environmentally friendly and socially responsible practices. It is important to maximize the available financial support responsibly. Moreover, networking with other business owners and industry experts would help them gain insights and expand their market reach.

For Saint Mary's University and Other Educational Institutions. The study may serve as valuable reference material that contributes to understanding the role of microfinancing

institutions in the sustainable growth of food businesses. It can support future research initiatives, guide discussions in related courses, and provide practical insights for students aiming to engage in the financial management of small enterprises. Furthermore, Saint Mary's University's financial management students can also participate in programs aimed at improving business owners' financial literacy. These initiatives can involve holding workshops, offering one-on-one financial consultation, and creating personal financial planning.

For Future Researchers. They may explore additional variables influencing the relationship between microfinance and business sustainability, such as the impact of digital financial solutions or the long-term effects of microfinance on different industries beyond food businesses.

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