

Microfinance as a catalyst for women's empowerment in Laguna's Small and Medium Enterprises (SMEs) sector

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Abstract: This research explored the function of microfinance as a stimulus for improving the economic, social, and personal empowerment of women entrepreneurs in Laguna's SMEs. The study was concerned with the way in which access to financial products, including loans, savings, and training programs, can improve and sustain women-owned SMEs, overcoming challenges such as resource constraints and financial literacy. A descriptive-correlational research design was employed to 229 female entrepreneurs from the 3rd district of Laguna participated. Descriptive and inferential statistics tools were used for analysis. Results indicate that majority of the respondents were 31-45 years old (38.0%), married (52.4%), college graduate (68.1%), self-employed (71.6%), the source of funds is from the business (75.1%), located in San Pablo City (51.5%) and the business is 1 – 5 years operating (36.2%). It can also infer that access to credit or financial assistance was highly and savings programs empower these women in SMEs. There is also evidence as to gender biases and limited resources for women entrepreneurs in the 3rd district of Laguna. Drawing from these results, this study presents a Microfinance-Assisted Skills Development Program that aims to maximize the entrepreneurial skills of women entrepreneurs in Laguna's SME industry. The focuses on customized financial literacy education, mentorship programs, and partnership collaborations with local governments and NGOs in ensuring sustainable development. In the end, this study highlights the critical intervention of microfinance in empowering women entrepreneurs with critical skills, driving economic empowerment, and ensuring inclusive development within the SME sector.

Keywords: Access to Credit, Financial Trainings, Microfinance, Savings Programs, Women's Empowerment

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INTRODUCTION

Microfinance, women empowerment, and small and medium enterprises (SMEs) are commonly seen as key engines of inclusive and lucrative economic development, especially in developing nations such as the Philippines. Microfinance is defined as the delivery of financial products to groups and individuals who are generally excluded from mainstream bank institutions (Bangko Sentral ng Pilipinas, 2020). It encompasses minute loans, deposit accounts, and insurance. Women's empowerment, on the other hand, entails increasing women's participation in gaining access to power, resources, decision-making, and economic and social life (Philippine Commission on Women, 2021). At the same time, SMEs, having small assets and employees, are vital to employment generation, local innovation, and regional economic expansion.

In the Philippines, SMEs comprise 99.59% of total registered enterprises and occupy more than 63% of the country's labor force (Department of Trade and Industry, 2023). In Laguna Province, particularly in the 3rd District, SMEs are present in many industries such as agriculture, food processing, tourism, and manufacturing. Most of these businesses are managed or co-managed by women, who simultaneously integrate their roles in business, household, and community life. Nonetheless, even with their increased engagement, some women entrepreneurs still face significant challenges like limited access to credit, lack of proper financial literacy, and gendered discrimination in lending institutions. These inhibitions hinder them from exhibiting their economic potential and stifle prospects for sustainable business expansion (Asian Development Bank, 2021).

Encouraging women's empowerment through microfinance and SME growth is high on the agenda of both national and international development priorities. In the Philippines, the Philippine Development Plan 2023–2028 and Gender and Development (GAD) programs place emphasis on inclusive financial systems as well as the active participation of women in economic activities. At the global level, these requirements align with the United Nations Sustainable Development Goals, SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth) (National Economic and Development Authority, 2023; United Nations, 2023).

Microfinance institutions (MFIs), by offering access to credit, business knowledge, and networks, play a key role in bridging opportunity gaps, empowering women entrepreneurs, and empowering communities. In light of these national and global priorities, this study looks at how microfinance empowers women running SMEs in Laguna's 3rd District. Specifically, it examines the impact of microfinance services including credit, savings, financial education, and social support on women's empowerment dimensions. By so doing, the research sought to provide evidence-based policy and program recommendations that can inform more gender-responsive policy and program interventions. Lastly, the study endeavors to promote further inclusive economic development and gender equality through the strengthening of support systems for women businesses in the region.

Problem statement

1. What is the status of microfinance in terms of access to credit, savings programs and financial training?
3. What is the level of women's empowerment in terms of economic empowerment, social empowerment, and psychological empowerment?
4. Is there a significant difference between microfinance when grouped into profiles?
5. Is there a significant relationship between microfinance and women's empowerment?

METHODOLOGY

This study employed a quantitative descriptive-correlational research design to examine the relationship between microfinance services and women's empowerment in the SME sector of Laguna's 3rd District. The descriptive component aimed to outline the demographic and entrepreneurial profiles of women engaged in business, while the correlational aspect explored the connections between microfinance services—such as access to credit, savings programs, and financial training—and the economic, social, and psychological empowerment of female entrepreneurs.

The respondents were 229 female entrepreneurs selected through purposive sampling from seven localities: Alaminos, Calauan, Liliw, Nagcarlan, Rizal, Victoria, and San Pablo City. To qualify, their businesses had to be registered with local BPOs and classified as small or medium enterprises. The sample was distributed proportionally across these areas to ensure representation of various urban-rural contexts and socio-economic backgrounds.

A researcher-made questionnaire served as the main data collection tool. It underwent expert validation, translation to Filipino for clarity, and a pilot test to assess reliability. Cronbach's Alpha scores ranged from 0.83 to 0.95 across all variables, indicating strong internal consistency. The instrument had three parts: demographic data, microfinance engagement, and levels of empowerment, the latter two measured using a 4-point Likert scale.

In terms of ethical considerations, the researcher secured permissions from the university, local government units, and relevant agencies such as the Department of Trade and Industry (DTI) and the BPOs. Surveys were administered in both physical and digital formats to ensure accessibility, and data collection took place over three weeks. The final dataset was submitted to a statistician for analysis.

The statistical treatment employed both descriptive and inferential methods. Frequencies and percentages described respondent profiles, while weighted means and standard deviations assessed levels of microfinance engagement and empowerment. The Kruskal-Wallis H test examined group differences across demographics, and Spearman's Rank Correlation Coefficient measured relationships between microfinance services and empowerment variables.

Ultimately, the study found empirical support for a relationship between microfinance utilization and various dimensions of women's empowerment. These findings provided a foundation for policy recommendations, including the development of targeted microfinance programs to strengthen the economic, social, and psychological well-being of women entrepreneurs in the region.

FINDINGS AND DISCUSSION

Status of microfinance

The findings of the study demonstrate that microfinance services—specifically access to credit, savings programs, and financial training—play a significant and positive role in empowering women entrepreneurs in Laguna's SME sector. The data indicate consistently high satisfaction across all three microfinance components, reflecting strong perceptions of effectiveness, accessibility, and long-term value.

Access to credit emerged as a powerful enabler for women's business growth and stability. With mean scores ranging from 3.31 to 3.41, all indicators received a verbal interpretation of "Strongly Agree." Respondents noted that credit terms were manageable and satisfactory, suggesting effective lending practices and borrower-friendly structures that help avoid debt traps. These findings reinforce the idea that responsible microfinance lending fosters business expansion, economic participation, and trust between borrowers and lenders. The results align with global research highlighting credit access as central to economic development, entrepreneurial competitiveness, and financial inclusion.

Savings programs were similarly well-received, with the highest mean score (3.40) linked to improved financial management. Women reported that the discipline of saving helped them manage finances better and engage in long-term planning. These findings underscore the dual value of savings—not only for immediate financial control but also for future stability, such as preparing for emergencies or reinvestment. As savings behavior improves, so does business sustainability, reflecting broader economic research that links saving habits to poverty reduction, responsible financial behavior, and inclusive growth. Despite some known barriers such as inflation and income irregularity, the respondents perceived savings programs as transformative financial tools.

Financial training received particularly strong feedback, with the highest mean score (3.41) reflecting improved budgeting awareness. Women entrepreneurs found that financial education provided by microfinance institutions enhanced their ability to manage cash flow, plan strategically, and maintain operational liquidity—critical competencies for navigating the challenges of running SMEs. The average score of 3.39 across indicators affirms that financial literacy is not just complementary but essential in ensuring that credit and savings are effectively utilized. This dimension of microfinance was especially valued for fostering confidence, risk management skills, and day-to-day financial decision-making.

Level of women's empowerment

The study reveals that microfinance programs in Laguna's SME sector have had a very high positive impact on women's empowerment across three key dimensions: economic, social, and psychological. These findings illustrate the multifaceted role of microfinance as more than a financial mechanism—it serves as a transformative tool for enabling women's full participation in entrepreneurial, community, and personal spheres.

With an overall mean score of 3.32 (Very High), microfinance has significantly contributed to women's economic independence, income generation, and business performance. The strongest impact was seen in the statement "strengthen my business" (mean = 3.38), highlighting how microfinance enables women to invest in inventory, innovation, and operations. These outcomes suggest not just capital infusion but real business viability and sustainability.

However, the relatively lower score on "achieve greater economic resilience" (mean = 3.30) signals the need for complementary programs—such as financial literacy, emergency planning, and income diversification—to enhance long-term security. The results echo global literature emphasizing how economic empowerment enhances women's household decision-making, social standing, and community prosperity, while also challenging patriarchal norms and promoting inclusive development.

Social empowerment yielded an overall mean score of 3.34 (Very High). The highest-rated statement was "increase social network support" (mean = 3.40), suggesting that microfinance facilitates peer engagement and collective learning, especially through group-based models like cooperative lending. Women also reported enhanced confidence, leadership skills, and participation in community activities.

Most notably, the indicator "increase my ability to advocate for my rights" (mean = 3.31) demonstrates that microfinance fosters a rights-based consciousness and encourages civic involvement. These results affirm that social empowerment enables women to become vocal, informed agents of change, both in domestic and public arenas. Empowered women improve

family dynamics, challenge discriminatory norms, and contribute to inclusive and participatory societies.

Psychological empowerment also scored Very High (mean = 3.33), with "grow in confidence in my abilities" (mean = 3.37) as the most impactful. Respondents affirmed that microfinance participation improved their self-worth, goal pursuit, stress management, and emotional resilience. These psychological benefits are crucial, as they underpin risk-taking, innovation, and leadership—core traits for successful entrepreneurship.

Microfinance appears to provide women not only the tools to start or grow a business but also the inner strength to navigate challenges. The ability to manage setbacks (mean = 3.29) reflects a growth mindset and emotional stability, essential for sustained engagement and long-term success. Research supports that psychological empowerment enhances well-being, interpersonal relationships, and leadership potential, which ultimately contributes to collective progress.

Significant difference between microfinance when grouped into profiles

The analysis of differences in microfinance service utilization among women entrepreneurs in Laguna's SME sector, as grouped by demographic variables, reveals both consistent inclusivity and key areas where targeted interventions are needed to ensure equitable access and empowerment.

Age significantly influenced access to credit ($p = 0.033$) and financial training ($p = 0.020$), suggesting that younger and older entrepreneurs face distinct challenges. Younger women often struggle with creditworthiness, while older entrepreneurs may face age-related lending biases. Training preferences also vary by age, with younger women favoring tech-based learning and older women responding better to mentorship models. However, no significant differences were found in savings behavior or overall microfinance experience, implying uniform program access. This supports the need for age-sensitive microfinance strategies, including differentiated training and tailored credit policies.

No significant differences were found across civil status groups in terms of credit access, savings, financial training, or overall microfinance experience. This suggests that MFIs in Laguna maintain an inclusive and non-discriminatory approach, treating single, married, separated, or widowed women equitably. However, literature indicates that financial behaviors and risk profiles may still vary subtly by civil status, pointing to the value of exploring tailored financial literacy initiatives that address the distinct needs of each group.

Significant differences were found in access to credit ($p = 0.032$), savings participation ($p = 0.017$), and overall microfinance experience ($p = 0.035$), while financial training showed no significant difference ($p = 0.077$). Women with higher educational attainment had better access to financial services and adopted more systematic saving behaviors, underscoring the role of financial literacy in effective microfinance engagement. While training programs appear accessible to all, enhancements in delivery and learning support for less-educated women could improve inclusivity. Education-sensitive interventions—such as vernacular materials and peer mentoring—are crucial to bridging access gaps.

Employment status did not significantly affect any microfinance indicators. Whether formally employed, self-employed, informally employed, or unemployed, all women reported similar levels of access and participation. This underscores the effectiveness of MFIs in promoting financial inclusion across employment categories. Nevertheless, research suggests

that employment type can affect loan sizes, risk profiles, and repayment behavior. MFIs should continue to adapt their products to the unique challenges faced by informal or unemployed women, ensuring support through small loan schemes, flexible terms, and integrated training.

Significant differences were observed across all indicators—credit ($p = 0.009$), savings ($p = 0.033$), financial training ($p = 0.010$), and overall status ($p = 0.005$)—based on the entrepreneur's initial funding source. Those who used personal or family savings displayed different engagement patterns than those who relied on loans from MFIs or informal lenders. These disparities highlight the critical role of initial financial exposure in shaping attitudes toward formal microfinance services. MFIs must implement client profiling to tailor services based on funding background, offering customized training and flexible products that accommodate differing levels of financial readiness and risk.

No significant differences were found across geographic locations (urban, semi-urban, rural), indicating that microfinance access in Laguna is evenly distributed. Credit, savings, and training services are reportedly equally accessible across areas, reflecting effective outreach strategies. Despite this positive outcome, previous studies suggest that rural businesses often face unique challenges. MFIs should continue leveraging mobile platforms and community-based delivery models to maintain and expand this inclusivity.

Business age did not significantly affect any microfinance service category. Both new and established entrepreneurs had similar access to credit, savings programs, and training. While uniformity supports equal access, the lack of differentiation may limit service effectiveness. Start-ups could benefit from mentorship and flexible loan products, while mature businesses may require advanced training and larger capital. MFIs should consider segmenting services by business stage to enhance relevance and impact.

Relationship between microfinance and women's empowerment

All the correlation coefficients (ρ) are positive, with moderate to high relationships, and p -values < 0.001 , validating microfinance as a strong empowerment driver.

This relevance in every aspect implies microfinance activity in Laguna is not just about money but also builds social integration, psychological development, and economic stability among women entrepreneurs. These results provide evidence that microfinance increases holistic empowerment in the SME industry.

Particularly, credit access has strong but moderate associations with economic ($\rho = 0.632$), social ($\rho = 0.580$), and psychological empowerment ($\rho = 0.541$). This means credit enhances economic status as well as increases respect, decision-making, confidence, and psychological well-being. Credit is perhaps not enough without support services such as training and savings schemes, though.

Savings schemes have even higher correlations: 0.715 (economic), 0.717 (social), and 0.619 (psychological). Savings promote responsibility, planning, and self-confidence, enabling women to take control of finances and increase social standing in the family and community. Even the lower psychological correlation lends support to savings as an important source of self-esteem.

Financial training has the highest correlations, particularly with economic empowerment ($\rho = 0.780$). Training builds up business capabilities, planning, and market strategies to result in sustainable profitability and independence. It also strongly correlates with social ($\rho = 0.713$) and psychological empowerment ($\rho = 0.696$), building up self-confidence and leadership. Therefore,

programs that include training with credit and savings have the most significant empowerment impacts.

The total microfinance situation is strongly correlated with women's empowerment ($\rho = 0.772$, $p < 0.001$), an indicator of the collective strength of credit, savings, and training in changing women's lives beyond transactions. The combination of the services economically, socially, and psychologically empowers women. This speaks well of the use of integrated microfinance approaches to effective empowerment in Laguna's SME industry.

Evidence exists to validate the revolutionary impact of microfinance in emerging economies (Banker, 2022). Women empowered by microfinance tend to acquire economic autonomy and decision-making power (Bessière, 2019).

Microfinance enables women to start businesses, enhancing their self-worth and social esteem (Bin-Nashwan, 2020). Microfinance and empowerment have a connection that goes beyond economics. Microfinance women are more active in communities and social networks (Bonini, 2019). MFIs promote solidarity and defy gender roles, as they raise social empowerment (Bresnahan, 2023; Brillo, 2020).

However, the impact varies with program type and design (Deniz, 2020). Standalone individual loans undermine empowerment gains (Etu, 2024). Conversely, group lending schemes bring more social empowerment with peer support (Elham Ali Shammar, 2019). The effectiveness of training and product design is thus crucial.

There are also social and cultural determinants (Eugene Tartakovsky, 2019). Women's financial independence can be restricted by gender norms, illiteracy, and poor legal protection (Farida, 2022; Fauzia, 2023). Implementing microfinance accordingly with gender equality projects is necessary (Flores, 2019). Microfinance enhances physical health and family well-being among women (Freeman, 2023).

Microfinance income frequently pays for enhanced nutrition, health, and education (Furdui, 2021), yielding long-term community payoffs (Hadley, 2023). The most successful programs are those that take into account the particular challenges faced by women in a given socio-economic situation (Haliel, 2019).

CONCLUSIONS

This study confirmed that microfinance plays a vital role in empowering women entrepreneurs in Laguna's SME sector. Access to credit, savings programs, and financial training significantly enhanced women's economic, social, and psychological empowerment. While positive outcomes were evident, persistent challenges such as gender biases and limited resources remain. Addressing these barriers through inclusive financial systems and supportive programs is essential to sustaining the impact of microfinance. Overall, empowering women through microfinance contributes not only to individual progress but also to broader community and economic development.

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