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## CREDIT OPTIONS OF MICRO ENTREPRENEURS IN DARAGA, ALBAY

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### ABSTRACT

The study determines the credit options of micro-entrepreneurs in Daraga, Albay. It identified the credit options available for micro-entrepreneurs utilizing in continuing or starting their business, along with their level of experience as a borrower through; Lending institutions; Usurer; Cooperative; Bank and; Pawnshop. The descriptive evaluation method was utilized in the study. The data was gathered through the distribution of questionnaires to the 25 micro-entrepreneurs under research. The level of experience of the Daraga public market vendors as borrowers are as follows; Lending Institutions has the highest overall rating with a "Satisfied" response from the respondents with an average weighted mean of 4.32; Usurers were rated by the respondents and gained a "Neutral" response with an average weighted mean of 3.066; Cooperative garnered a "Satisfied" response among the respondents with an average weighted mean of 3.67. Networking of Micro-entrepreneurs to form a support group for sharing best practices in financial management with a system based on mentoring or support by successful business owners would be beneficial to impart knowledge to the financially challenged micro-entrepreneurs.

**Keywords:** *Entrepreneurship, Credit option, Micro Entrepreneurs, Bicol College Daraga, Albay*

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## INTRODUCTION

Microenterprises are critical for enhancing the quality of life in developing countries. Microfinance aims to assist microenterprises by lending people small amounts of capital. This enables impoverished individuals and families to establish their businesses, earn an income, and contribute to the well-being of their communities. Typically, a microenterprise employs fewer than ten people and is founded with a small amount of capital. The majority of micro-enterprises focus on providing goods or services to their immediate communities. Because microenterprises typically lack access to commercial banking and frequently finance themselves through "micro-loans" of microcredit. (James, 2021)

Daraga was chosen as the study location by the researchers. Daraga is a first-class municipality located in the province of Albay on the island of Luzon. It has a population of 126,595 people, as of the 2015 census. Daraga, a landlocked municipality, covers an area of 11,860 hectares (29,300 acres). This equates to approximately 4.70 percent of Albay Province's land area. The municipality's land is divided into sixteen urban barangays and forty-four rural barangays. Daraga's economy, which was originally based on agriculture, has rapidly transformed into an emerging urban system, owing to the economic opportunities afforded by its proximity to Legazpi.

Daraga has the most business establishments per capita in Albay. As of 2011, the Permits and Licensing Office had registered over 2,300 business establishments. The municipality is a center for handcraft manufacturing, with several handicraft factories choosing to locate here.<sup>3</sup> Daraga can be quite complicated due to its numerous barangays. The researchers will concentrate their efforts primarily on the Daraga Market Area, home to the vendor's association and their chosen respondents.

Credit options and business finance are critical components of sustaining the operation's growth; in essence, credit lines keep the business afloat and thriving at times. However,

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microentrepreneurs may require additional funding to support their businesses during market crises. This study provides insights into the different types of credit available to microentrepreneurs to determine the best credit options.

## MATERIALS and METHODS

This study used the descriptive type research. It was descriptive test in the sense that it determined the effectiveness of the credit options that the micro entrepreneurs utilized in continuing or starting their business, likewise the problems encountered and the solutions that can be recommended by the respondents.

The descriptive research involved interpretation of the meaning or the significance of what is described in gathering and tabulating of data. It is often combined with comparison of contrast, evaluation, interpretation, classification and measurement. It describes characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred (Kowalczyk, 2013).

The Slovin's formula designed by Yamane (1967:889) will be used. This formula was used to calculate the sample sizes of the Daraga market vendor's association population. The secondary date was taken from the literary materials such as journals, newspaper, magazines, manual and the website. These materials had helped the researchers a lot in gathering factual information related to the study.

## RESULTS and DISCUSSIONS

The result shows the perfect credit options of the respondents. Data gathered indicated that 60% of the respondents favored borrowing from Lending Institutions, 36% took cooperative loans and the least at 24% borrowed from usurers. The data gathered include some respondents who took loans on more than one credit option. Based on the results, majority of the market

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vendors had a strong preference to patronize Lending Institutions as a primary source of additional capital, a median prefers cooperative loans and the least favored credit option is through usurers.

It presents the summary of the level of experience of the vendors of Daraga public market as borrowers of Lending institutions, Usurer, and Cooperative. As presented, the level of experience on lending was "Satisfied" with the average weighted mean of 4.32. all indicators in the variable were rated "Satisfied"; Overall satisfaction with the terms and conditions of the lender 4.47, overall experience with the Lending option 4.47, satisfaction level with the current interest rate 3.86, Level of satisfaction with the collection system 4.4 and ease of loan transaction 4.4. This implies that the respondents were satisfied with the lending institution.

Based on the result that the level of experience of the respondents as a borrower in terms of the Usurers. It was rated as "Neutral" with an average rating of 3.07. This includes terms and conditions of the usurer 2.07; overall experience with the usurer 3.00; current interest rate 2.16; collection system 3.17 and the ease of loan transaction requirements 4.33. This implies that the vendors are neither satisfied nor unsatisfied with the usurer.

The level of experience of the vendors of Daraga as a borrower of their chosen Cooperative, and it was rated as "Satisfied" with an average of 3.67. Terms and conditions of cooperative with 4.00; overall experience 4.00; Current interest rate 3.33; collection system 3.78; and the ease of loan transaction requirements 3.22. All of these indicators were rated "Satisfied" this means that the respondents are satisfied with their experience as a borrower of Cooperative.

The result implies that there is an overwhelming satisfaction by vendors and borrowers with their experience in the municipality of Daraga.

The summary of the level of experience of the vendors of Daraga public market as a borrower of Lending institution, Usurer, and Cooperatives. As presented, the level of experience was "Satisfied" with the average weighted mean of 4.32 All indicators in the variable were rated "Satisfied"; Overall satisfaction with the terms of conditions of the lender 4.47, overall experience

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## CONCLUSION

Based on the findings of the study, the following conclusions were drawn that the level of satisfaction on the available credit options of vendors at Daraga Public Market is at present given a "Satisfied" rating due to the existence of Lending institutions serving the credit needs of the majority of the respondents. Usurer as a credit option was given a "Neutral" rating by the respondents due to pros and cons of borrowing from ease of loan transaction to excessive interest rates. Respondents "Agree" that the problems encountered were serious matter to deal with when borrowing from lending institution, usurer and cooperative. All the recommendations were related "very much necessary" which means all the proposed measures are needed for the problems encountered in selecting the right creditors in improving the credit options of the respondents.

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