



Micro Entrepreneurs Borrowers' Satisfaction with Digital Payments in LOLC Finance Philippines, Inc

Dinna P. Sanchez¹, Joanne Krystelle M. Quitan², Trisha P. Rodriguez³, Clark Bhern Humprey D. Saveret⁴, Noel B. Agustin, Ph.D.⁵

¹LOLC Finance Philippines, Inc.

²China Banking Corporation

³Accenture, Inc.

⁴Pineapple Virtual Assistant Hub

⁵Nueva Ecija University of Science and Technology

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Abstract— This study, entitled *Micro-Entrepreneurs Borrowers' Satisfaction with Digital Payments in LOLC Finance Philippines, Inc.*, investigates the demographic profile and digital payment preferences of micro-borrowers, specifically focusing on individuals aged 46-55 who have been managing businesses for 6-10 years. Findings reveal that while respondents are familiar with popular digital payment methods like GCash and 7-Eleven's ECPay, they lack awareness of other cost-effective options. Many borrowers face challenges in using digital payments due to limited navigation skills and a preference for traditional, cash-based transactions, which they find more convenient as they avoid fees and additional steps. The study further notes that with branch limitations, borrowers can only make cash payments at the head office in Cabanatuan, discouraging digital payment adoption. Although some respondents acknowledge the security and convenience of digital payments, especially if physical collection is unavailable, overall satisfaction remains low. Few borrowers recommend digital payments, particularly for loan renewal, underscoring a general reluctance to shift from conventional practices. The study emphasizes the importance of enhancing digital payment accessibility to increase satisfaction and adoption rates among micro-borrowers in LOLC Finance Philippines, Inc.

Keywords— Borrower, Digital Payment Methods, Financing Company, Micro Entrepreneurs, Satisfaction

I. INTRODUCTION

In the year 2022, LOLC Finance Philippines, Inc. started to lend to Micro entrepreneurs' borrowers, but the digital payment method is one of the challenges of the company. Most of the borrowers preferred the traditional payment method- which paying cash in the branch or paying through door-to-door field collectors. Since the innovation has increased over the years, traditional payment methods nowadays are being forgotten as general, but when it comes to loan payments, most of the borrowers kept on requesting to pay on a cash basis. The payment strategy seeks a gradual transition to a cashless economy, but despite the efforts of the company, digital payments as loan payments are challenging in Financing companies.

The slow adoption of digital payment methods motivates for the researcher to undertake this topic. LOLC Finance Philippines Inc was formerly partnered in 2018 with ASKI Group of Companies, with LOLC owning the majority stake in the company. The roots of LOLC ASKI Finance can be traced back to April 2017. When the original company, Alalay sa Kaunlaran, Inc. (ASKI) was formed under the ASKI Group of company. The entity was rebranded to LOLC Finance Philippines Inc in 2022, The company offers tailored financial products to its MSME clients. LOLC Finance Philippines Inc. is part of LOLC Holdings which is one of the largest, most diverse conglomerates in Sri Lanka boasting a history of over four decades. Buoyed by the tremendous success achieved

within Sri Lanka, LOLC Holdings crossed the shores of Singapore, Cambodia, Myanmar, Indonesia, Pakistan, Zambia, Zimbabwe, Nigeria, Tanzania, Malawi, Egypt, Kenya, Ghana, Sierra Leone, Tajikistan, Kyrgyzstan, Maldives, Mauritius, Australia, and UAE with further strategic expansion plans held in pipelines. Over the years, the Group has been backed strongly by Development Finance Institutions and multilateral funding lines, which reflects the confidence these global entities place in the Group's sustainable operations [LOLC website]. As of now, there are 827 total micro clients from 8 branches, they started lending micro business year 2022 which was open for Cabanatuan Branch only, by the year 2023 the company decided to offer the micro business to Tarlac, Pampanga, Talavera, and Bulacan and it is now gradually increasing. However, the branches from Region 2, which are Solano, Nueva Vizcaya, Santiago Isabela, and Cauayan, Isabela have recently started to offer micro-loans, which was officially dated on March 2024.

Recognizing the growing importance of digital payments both the government and private service providers have seized the opportunity. The government and business service providers have embraced the change as they recognize the growing relevance of digital payments. Banks, for instance, have constantly been using digital technology to establish new value streams, looking to enhance customer service efficiency. However, it should be highlighted that although customers, banks, and financial institutions have all benefited from using digital payments for completing their transactions, the perception of risk is still considered a constant problem. Previously researchers have identified the relationship between customer satisfaction and its antecedents and customer experience and its antecedents separately. Several studies tried to identify these relationships and measure their magnitude (Ojiagu et al., 2022; Ali Bayad, 2021; Jacinda et al., 2021; Rana et al., 2020; Kar Arpan, 2020; Mbama, 2018; Alvarez, 2019; Goutam, 2018; Loi Leong et al., 2017; Elissavet et al., 2013).

As per the earlier studies, service quality was found to be the most important antecedent and has a significant effect on customer experience and satisfaction in the context of online customers (Farooqi, 2017; Hummoud et al., 2018; Suleiman & Warda, 2017; Mbama, 2018; Raza et al., 2020; Amin, 2016; Tjahjaningsih et al., 2020; Desiyanti, 2018; Jacinda et al., 2021; Trivedi et al., 2019; Paulo Rita et al., 2019; Al-Hawary et al., 2017; Azevedo, 2015; Ali bayad, 2021; Alam, 2017; Goutam, 2018). It must be noted that service quality, being one of the most important predictors and most frequently used relationships, has been measured with several dimensions in previous studies. Therefore, in the instance of service quality, only antecedents of e-service

quality were considered, to see their impact on customer experience and satisfaction. Based on the literature review, the study affirms and acknowledges the fact that customer satisfaction with digital payments has been studied previously; only a few studies seem to have looked at the impact of digital payments on customer experience. This is possible because, despite the numerous benefits of digital payments extended by banks, individuals still view them only as an 'alternative', and therefore do not utilize them frequently (microsave.net, 2020). Secondly, this study serves as a guide for organizations that provide digital payment services to customers, assisting them in identifying the factors that make the entire process of digital payment transactions smooth for the customers. Thirdly, no previous work seems to have been conducted as a systematic literature review or meta-analysis of these dimensions in connection to customer satisfaction and experience together with digital payment services. The goal of this study, therefore, is to conduct a meta-analysis to better understand the overall impact of some of the theoretical constructs (specifically, functional quality, perceived value, trust, perceived risk, and service quality) on customer satisfaction with and experience of digital payments.

This research study offers a comprehensive framework based on analysis of the answered and shared experiences of Micro borrowers in LOLC Finance Philippines, Inc. It is specifically driven to hear the feedback and thoughts of the borrowers to create an action plan in the future that will help and assist the current issue of the company. It described the borrowers' profile, ease of use, security and privacy, convenience, cost and fees, and overall satisfaction of LOLC Finance Micro Entrepreneurs borrowers.

II. METHODOLOGY

The present study followed the quantitative approach, the descriptive survey research methodology. Descriptive – survey research included studies give pertinent information about the elements that were prevailing in the present times. It describes and interprets what is. It is concerned with the existing conditions, ongoing processes, perceived effects, and developing trends. Moreover, descriptive survey research emphasizes the interpretation of gathered data or the significance of what is described. It includes studies and literature that provide information about the present state of the involved variables (Yazon et al., 2019)

The locale of the study is LOLC Finance Philippines, Inc. It has 8 branches and simple random sampling using Slovin's formula was used to get the sample size for each branch. The total sample size is 160 broken

down as follows: Cabanatuan City Nueva Ecija (68), Talavera, Nueva Ecija (29), Tarlac City, Tarlac (19), Sta Maria, Bulacan (17), San Fernando, Pampanga (14), Solano, Nueva Vizcaya (6), Santiago, Isabela (3), Cauayan, Isabela (4).

A three-part questionnaire was utilized for the survey. The consent is the first phase, and the second is the collection of the respondents' profiles, The third component is the assessment of LOLC Finance borrowers on their experience and overall satisfaction when paying their loans using digital payments.

The study concentrated on micro-entrepreneurs borrowers of LOLC Finance Philippines, Inc. For a faster and more convenient way of data gathering, the researcher asked for assistance to Call Center Department and to Area Managers of each branch to share the survey questionnaire via Google Forms when they are doing their monthly surveys, the results were summarized smoothly with 160 total respondents.

III. RESULTS AND DISCUSSION

1. Profile of the Respondents

A total of 160 respondents were used as respondents. One hundred three (103) or 64% of the respondents were female while fifty-seven (57) or 36% of the respondents were male.

Out of 160 total respondents, there are fifty-one (51) or 32% were 46-55 years old, the second to the highest number of participants were forty-six (46) or 29% at the age of 36-45 years old. Next is, thirty-three (33) or 21% were 26-35 years old. And, there are eighteen or 11% were 56-65 years old. Lastly, the least number of respondents were twelve (12) or 8% of the total respondents were 18-25 years old.

As per result, half of the total respondents reach the elementary level, eighty-two (82) or 51%. Secondly, fifty-nine (59), or 37% reached the secondary level. While nineteen (19) or 12% reached the college level. As it turns out, no micro client respondents reached higher education because no one answered in Master's degree, PhD/Doctoral and others.

Eighty-six (86) or 54% which majority of respondents were sari-sari store/variety store owners, next in line is Street vendors with twenty-three (23) or 14% of the total respondents. While nineteen (19) or 12% were salon and barber shop owners, eighteen (18) or 11% were owners of Meat Shops. Respondents also answered "others" They specified the businesses, three (3) from Hardware, two (2) from Water Refilling stations, and three (3) from Drug stores. The total respondent who answered "others" are eight (8) or 5%. The second to the least answers are from

Piso net and computer rental owners, which are four (4) or 3% of the total respondents, and lastly, there are two (2) or 1% who answered Tailoring and Sewing Services.

In terms of Years of Business Operation, there are forty-eight (48), or 30% which majority of the respondents operated their business for 1-2 years. The respondents thirty-four (34) or 21% answered 3-5 years' business operation. While there are thirty-three (33) or 21% who answered 3-5 years of business operation. There are also 16 years and above which twenty-eight (28) or 18% of the total respondents. While there are seventeen (17) or 11% answered 1-2 years' business operation.

In terms of Digital Payments, most of the respondents are using the G-cash payment method, a total of ninety-four (94) or 59% of the total respondents. Next option is using 7-11 ECPAY, thirty-nine (39) or 24% from the total respondents. While twenty-four (24) or 15% are using Online Banking Transfer. One (1) or 1% has been answered using Palawan pay and there are two (2) or 1% answered "other" which they specify from LAZADA.

2. Ease of Use

Table No. 1: Ease of Use

Statements	Mean	Verbal Interpretation
1. The digital payment service I use is easy to navigate	3.28	Neutral
2. The digital payment service I use is user-friendly	3.30	Neutral
Overall Mean	3.29	

On the first statement "The digital payment service I use is easy to navigate" survey result was "Neutral" or 3.30 weighted mean, means the borrowers did not know whether they agree or not with statement. And, same with second statement "The digital payment service I use is user-friendly" the weighted mean is 3.30 and as a result, it was turns out that they are "neutral" feeling on how they use the digital payment methods.

3. Security and Privacy

On the second variable, both statements of "I feel that my personal details are safe and secured" with a weighted mean of 3.90 and "I feel satisfied about the security of my payment transactions" with a weighted mean of 3.79 and interpreted as "Agree" in terms of Security and privacy.

Table No. 2: Security and Privacy

Statements	Mean	Verbal Interpretation
I feel that my details are safe and secured	3.90	Agree
I feel satisfied about the security of my payment transactions	3.79	Agree
Overall Mean	3.84	

4. Convenience

Table No.3 Convenience

Statements	Mean	Verbal Interpretation
Making payments in digital payment services is faster than traditional payment (personal cash collection)	2.29	Disagree
I find the digital payment service is more convenient than going to LOLC Head Office	4.01	Agree
Overall Mean	3.15	

In terms of Convenience, survey shows that in answering the statement no. 1 "Making payment in digital payment services are faster than traditional payment (personal cash collection)" respondents were disagreed with weighted mean of 2.29. However, when respondents answered the second statement "I find the digital payment service is more convenient than going to LOLC Office" respondents agreed on the statement with weighted mean of 4.01.

5. Cost and Fees

Table No.4 Cost and Fees

Statements	Mean	Verbal Interpretation
The transaction fees are reasonable/affordable	2.37	Disagree
I'm aware of all charges associated with using the digital payment service	3.55	Agree
Overall Mean	2.96	

In terms of Cost and Fees, the survey shows that they disagree with the statement "The transaction fees are reasonable/affordable" with a weighted mean of 2.37. While the second statement "I'm aware of all charges associated with using the digital payment service" surveys show that the respondents agreed with a weighted mean of 3.55.

6. Overall Satisfaction

Table No. 5 Overall Satisfaction

Statements	Mean	Verbal Interpretation
I would like to use digital payment upon loan renewal	1.91	Disagree
Overall, I'm really satisfied to pay my loans in LOLC Finance Philippines, Inc. through digital payments	2.52	Agree
Overall Mean	2.22	

To determine the recommendation, the first statement "I would like to use digital payment upon loan renewal" was interpreted as Disagree with a weighted mean of 1.91. As in overall satisfaction as statement mentioned "Overall, I'm really satisfied to pay my loans in LOLC Finance Philippines, Inc. through digital payments" it was interpreted as Disagree with a weighted mean of 2.52.

IV. CONCLUSION

Based on the findings of the study the following conclusions were drawn:

1. In terms of the Demographic profile of the respondents, the majority of the respondents are in the age between 46-55 years old, female though the majority are reaching their education from elementary to high school only, they still manage their business for 6-10 years' business operation. Researchers found out that respondents only knew common digital payments like g-cash and 7-11 Ecpay. But the other digital payments which are cheaper and more efficient are not familiar with them.

2. The result of the survey, shows that the common problem of borrowers when using digital payments is the lack of knowledge on how to navigate the digital payment methods because, for them, they are not sure of how to use them. Microborrowers are more into traditional payment which means they are expecting someone to collect their payment at home or in a business location, for them it much more convenient because they will not spend for fares and other

charges since they know already that when using digital payment, it has cost and other fees need to pay. The company has no cashier in the branch, they can only pay cash in the Head office (Cabanatuan) that's why the borrowers from other branches had no chance is to use digital payment instead.

3. But there is also an advantage in using digital payments, researchers

found out that the borrowers are much preferred to pay in digital payment if there's no one will come to their place instead of going to the physical LOLC Head Office. They know also that when using digital payments, there payment is safe and secured.

4. However, in terms of recommendation, majority of the borrower did not recommend to use digital payments and they are not satisfied using digital payment methods when paying their loans upon renewal application.

RECOMMENDATIONS

This research study revealed the satisfaction of micro borrowers of LOLC Finance Philippines, Inc. Hence, the following recommendations are hereby presented:

1. Researchers recommended having training and seminars for the existing field employees to refresh their knowledge regarding digital payment methods in terms of Ease of Use, Security and Privacy, convenience, and lastly cost and fees. This is to educate their potential and existing borrowers as well as market the product to the micro-entrepreneurs. In that way, borrowers will not be surprised since they are well-informed prior disbursement of a loan.

2. A continue giving information to the borrowers of new digital payment method available. As of now, as a back-office employee, I was also informed that borrowers can also pay in other shop pay and in Tambuting pawnshops. It is important to upgrade the implementation and proper dissemination of the amended digital methods.

3. The company must have additional alternative digital payment methods like Cebuana, Villarica, or another pawnshop aside from the current digital payment, it must have continued innovation, improvement and the company must know what is the easiest way to pay without sacrificing the quality of getting the payment and it has cheaper or no charges upon loan payment.

4. Since LOLC Finance Philippines, Inc. doesn't have a cashier in each branch, the borrower who is nearby in the branch office can't pay their loans. Researchers recommended having cashiers that accept direct cash payments from the borrower as practiced by other financial institutions (Mina, et al., 2020), especially for those clients

who are not used to mobile phones or who can ask them for someone or a presentative to pay their loan amortization in behalf of them as assume that clients are busy on daily business operation.

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