

# Effects of Loan-Sharking on Philippines' Microenterprises

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## ABSTRACT

This study has investigated the effects of loan-sharking on microenterprises in the Province of Capiz, focusing on the sustainability of the business, profitability of the business, and standard of living when taken as a whole and grouped into entrepreneur and business. It was administered to 850 respondents on a quota sampling method where all microenterprises have existing businesses and have knowledge of loan-sharking. Since microenterprises continue to grow, loan sharks attract these business owners. Loan-sharking has been able to coexist with formal loaning systems, and microenterprises kept dealing business with them for it provides easy access to capital, easy payment method, and hope in a time of emergencies. Using statistical tools, findings show that respondents using their demographics are favorable with the effects of loan-sharking on the sustainability of the business and standard of living. On the other hand, the profitability of the business shows a contradiction. Though microenterprises want to get out of loan sharks due to very high-interest imposition and adverse effects; financial literacy, savings mobilization, behavior towards business development, and access to proper capital borrowing schemes geared toward higher business performance, long-term sustainability, and profitability are essential.

**Keywords:** investigation, loan-sharking, favorability, sustainability, profitability, standard of living, Capiz, microenterprise, microentrepreneurs

## INTRODUCTION

An ordinary business owner earns 100-300 pesos a day and uses that money to feed three to six children. Some of them have no electricity, and no bathroom but what is even worse is that they live in this vicious cycle of debt, according to an interview conducted with the market supervisor of Ivisan, Capiz.

MSMEs in the Philippines are 5,510,760 in numbers, and 2,631,165 are microenterprises, and most of them are dependent on loans (2019, List of Establishments, P.S.A.). They often go to loan sharks or private debt lenders that offer quick access to cash in exchange for high-interest rates that could go as high as 20% per month. However, even worse, some lenders even require microenterprises to sell their products to them at a lower price, making the lives of the business owners even more miserable.

As in many economies, MSMEs in developing business sectors are generally accepted as the driving force of development. MSMEs utilize a dominant part of the population and contribute altogether to economic growth. In any case, one of the principal limitations to MSME development has been getting back. Given the significance of MSMEs in the monetary turn of events and occupation creation, financing for MSMEs has arisen as a mainstream subject of conversation and examination (Hallberg, 2001).

In the last decade, numerous specialists and scholastics have attempted to break down the issue of MSME admittance to funds, underscoring their reliance on using a credit card and income. (Beck et. al., 2014) presumed that MSMEs seem, by all accounts, to be seriously underfunded.

A few investigations show that MSMEs are bound to confront more credit limitations than more significant firms. They additionally depend all the more intensely on exchange credit and casual wellsprings of credit. In fact, "all through the creating scene, admittance to credit is conversely identified with firm size yet decidedly identified with efficiency and monetary development in the nation" (Kuntchev et. al., 2014).

Proof additionally focuses on credit imperatives for MSMEs. For instance, an effect assessment from India misuses variety in admittance to a designated loaning program. It tracks down the numerous MSMEs which are credit compelled and that giving extra credit to MSMEs can speed up their deals and development (Banerjee and Dulfo, 2012).

The Philippines has two different operational definitions of small and micro enterprises (SMEs). Based on employment which is the most ordinarily used definition in the country, the different size categories are microenterprises: 1–9 employees; small enterprises: 10–99 employees; medium enterprises: 100–199 employees; and large enterprises: 200 or more employees. In terms of assets, S.M.E. is categorized as follows: microenterprises: PHP 3 million or less; small businesses: PHP 3–15 million; medium enterprises: PHP 15–100 million; and large: PHP 100 million and above.

A research focused on the challenges that SMEs in the Philippines face, and it has consistently highlighted the difficulty of these businesses in accessing financing. For instance, the IFC-PEP SME Finance Survey (2007) conducted by Nangia and Vaillancourt found that only 11% to 21% of capital raised by SMEs came from the banking sector, which is lower than the international standard of 30% observed in other developing countries like India and Thailand. Additionally, banks tend to be hesitant to provide large loans, which typically fall within the PHP 150,000 to PHP 5 million range that SMEs need.

A study conducted by Banko Sentral ng Pilipinas (B.S.P.) on the Consumer Expectations Survey for the last quarter of 2020. About one in every five households, or 22.4 percent, have availed of loans over the previous 12 months, of which 84.1 percent felt at ease in a loan application. In the last quarter of 2020, more than half of 59.9 percent of households availed of loans in the previous 12 months used their loans to purchase essential goods, followed by business start-up/expansion 27.9 percent. For quarter 1 of 2020, about 1 in every 14 respondents, or 7.3 percent, expressed their intention to apply for a loan in the next quarter. Similarly, 6.9 percent of the surveyed households reported borrowing funds in the next 12 months. Respondents also opined that collaterals would not be used in most of their future loan applications. However, if the collateral is required, 4.7 percent of households indicate that they would use "Sangla A.T.M.." As to the indicator "others," loan sharking might fall in this category with 7.1 percent for the last quarter of 2020. B.S.P. also indicates that a portion from quarter 1 of 2020, 5.9 percent, can be considered loan shark providers.

A loan shark is an unlicensed lender who offers loans at extremely high-interest rates for short periods. Their lending practice is predatory, often targeting borrowers with bad credit histories, offering terrible terms, and using threats and violence to collect debts. Loan sharks have many forms like 5/6, quick cash, P2P lending, and other forms of informal borrowing that have different schemes of implementing loans with different interest rate systems to its lenders. The R.A. 9474 or Lending Company Regulation Act of 2007, states that it is illegal to act as a lending company or investor otherwise registered at the commission as a lending company. However, it is being encouraged by the government to promote "five-six" lenders or loan sharks to register. According to the Department of Finance, over 200 informal lending companies applied for registration with the Securities and Exchange Commission (S.E.C.) after the

government began an action against loan sharks engaged in "five-six" and other improper practices. It was just the initial result of the S.E.C. 's investigation to respond to the government's directive to get tough against "five-six" lenders. (dof.gov.ph February 28, 2017).

As of February 28, 2020, Lenders Alliance Inc. is re-establishing confidence and differentiating its members from loan sharks. This alliance's main objective is to gather the best quality service and satisfaction for its clients in cooperation with government policies regarding data privacy. The Lenders Alliance Inc. (led by Upeso, Happy Pera, Pondo Loan, and Fastcash) is a group created that shows commitment to its lenders by supporting and enforcing the new guidelines set up by N.P.C. and S.E.C. (businessmirror.com February 28, 2020)

The Province of Capiz is a province in the Philippines located in the central section of the Western Visayas. Its capital is the city of Roxas. It is located in the northeastern portion of Panay Island, bordering Aklan to the north, Antique to the west, and Iloilo to the south. Capiz faces the Sibuyan Sea to the north. The Province of Capiz, Roxas City, has been awarded the top (5) five most livable cities in the Philippines. (touristspotfinder.com Jan. 2019). Capiz is composed of 17 LGUs and is divided into two districts. However, the province is continuously experiencing a significant downfall in selling, primarily because inflation affects microenterprises from 4.2 percent last January 2021 to 4.7 percent as of February 2021 (psa.gov.ph). Capiz is known as the Philippines' seafood capital, and most business operators in seafood industries are composed of microenterprises that provide aid to major livelihood provisions in the province. Since microenterprises are increasing in the Province of Capiz, loan sharks are taking advantage of this increase by offering them quick access to cash which aids these microenterprises sustain in the competition of doing business.

This study will shed light on the difficulties faced by microenterprises in accessing finance, which is an important aspect of their operations as this could highlight a significant constraint on the growth and development of SMEs in the country, and underscores the need for policy interventions to address this issue.

With that, this study intend to investigate the "Effects of Loan-Sharking on Philippines Microenterprises, this study also limits its scope to microenterprises in the Province of Capiz, and it will also provide a solution or basis for the government, banks, M.F.I.'s, academicians, and loan sharks about how the current situation microenterprise are experiencing in availing help from capital providers in the Province of Capiz which will answer the following objectives of the study:

1. What is the profile of microenterprises availing the services of loan sharks and loan sharks?
2. What is the nature of the services provided by loan sharks to microenterprises?
3. Why do microenterprises engage the services of loan sharks?
4. What are the effects of loan-sharking on microenterprises in terms of sustainability, profitability, and standard of living taken as a whole and classified based on sex, age, civil status, educational attainment, type of business, years of operation, and location of business?
5. Is there a significant difference in the effects of loan-sharking on microenterprises in terms of sustainability, profitability, and standard of living taken as a whole and classified based on sex, age, civil status, educational attainment, type of business, years of operation, and location of business?

The next sections of the paper will present the methodology used in the study, including the sample selection and data collection process. Then, the results of the analysis will be presented, which includes a discussion of the prevalence of loan-sharking and its effects on microenterprises in the Philippines. Finally, the paper will conclude with a discussion of the policy implications of the study's findings and recommendations for future research.

## **Theoretical Framework**

### ***Credit Theory of Money***

Also known as the debt theory of Money is a monetary economic theory concerning the relationship between credit/debt and money (Alfred Mithcell-Innes,1993). He emphasizes that money and credit/debt are the same thing, seen from different points of view. He also asserted that the essential nature of money is credit/debts. The credit theory of money argues that money is best understood as debt, even in systems often understood as using commodity money.

This theory relates to the microenterprises in the Province of Capiz by utilizing the money in credit/debt by acquiring supplies for their business, additional capital, ability to sustain market competition and standard of living. In this case, the microenterprises go to loan sharks for fast access to loan services to achieve their goals.

## **EXPECTANCY THEORY**

Defines motivation as a process of making choices among alternative forms of voluntary activities, a way controlled by the individual. The individual creates choices based on the gut feeling of how well the expected results of a given behavior will validate or could lead to the expected output.

Motivation is a product of the individual's expectation that a particular effort will lead to the intended outcome, the instrumentality of the performance in achieving a specific result, and the desirability of this result for the individual, known as valence. (Victor H. Vroom, 1964).

This theory connects with the behavior or tendency of microenterprises decision to go into loan sharks by having a loan. The loan becomes the effort or expectancy, and the belief of gaining something where the type of the business, age of the business, monthly income of the business, and location of the business are the performance factors that will grant rewards which are the sustainability, profitability, and standard of living may it be positive or negative effect towards microenterprises.

## **METHODOLOGY**

This study utilized a descriptive and a mixture of quantitative and qualitative research. The primary data was from a survey questionnaire which was a researcher's way to understand the phenomena of the Philippines set-up. 50 microenterprises in each 17 Local Government Unit (LGU) from the Province of Capiz were conveniently selected using the quota sampling with a total of 850 respondents. (Neuman, 2011) pointed out that a well-designed non-probability sampling process like quota sampling could produce a quasi- representative sample. The questionnaire method and interviews with microentrepreneurs with the help of enumerators were used to gather the data. Enumerators are only allowed to translate and guide the respondents and is restricted to influence their answer. The questionnaire was pilot-tested at the Municipality of Calinog, Province of Iloilo and consequently revised to address the general and specific objectives. Data gathering process with the aid of enumerators using the KOBO Toolbox to meet the objectives of this study, managing complex data and information flows for

sharing, decision-making, and collective action. KoboToolBox and its KoBoCollect Android smartphone application developed by Harvard Humanitarian Initiative and OCHA (Kreutzer, 2014). The data then is downloaded from the KOBOLCollect site which was processed and analyzed through Statistical Package for Social Sciences (SPSS).

## RESULTS

### Profile of Microentrepreneur and microenterprise

Table 1 shows the demographic characteristics of the entrepreneur in classifying variable measures in this study. With 67%, males are dominating the business operation as it would entail that males can easily discern what is best for his business, and with ages ranging from 40-50 years old 35.76% of the respondents mostly are married with the educational attainment of a college level. The highest educational attainment presented in Table 1 shows the close difference in their frequencies as this is connected to the ownership of microenterprises with a permit to operate in their corresponding communities. The presence of post-graduate (28.59%) and college graduate (31.65%) participants indicates that microenterprises are being dominated by much-educated owners and this is also attributable to their record keeping, inventory of products and services, and technical know-how in doing business. Most enterprises being operated are into merchandising with 69.5% which indicates that the province of Capiz is into a wholesale and retail business. Results have also shown that 46.5% of microenterprises are operating for more than 10 years which shows business sustainability and district two of the province has the most respondents with 58.82% of the population. The strategic division of location was based on the geographical data from the province of Capiz.

Among the 850 respondents in (Table 3), 81.5% answered that they know some business with a loan from a loan shark, while the aggregation of results on microenterprises' knowledge of how loan sharks works are 74.6% (Table 4). Respondents 50.9% are avoiding loan sharks (Table 5) while 25.6% are still relying on them (Table 6) and 23.5% (Table 7) plan to stay long-term with loan sharks. Most microenterprises have bank accounts with 40.7% (Table 8). As to the opportunity to scale up and support their businesses 20.4%, (Table 9) of them are loyal to loan sharks. Most businesses have no bank loans with 72.2% (Table 10) and 47.6% (Table 11) of them record their earnings daily while 32.0% (Table 12) conduct an inventory in a weekly manner. Loan sharks' presence in the area is rampant with 84.1% (Table 13) of the respondents answered with 1-5 loan sharks with 56.5% (Table 14) of them already established in the community and financed themselves with 46.5% (Table 15). The presence of foreign loan sharks like Indian, Cambodian, Vietnamese, and Chinese nationals mostly from the age range of 25-45 years old are also visible in some areas of Capiz, according to an interview with Mr. Sanjay (not his real name ) an Indian National who extends his services at Municipality of Sigma, Capiz and a source of qualitative data to further validate the data gathered through questionnaire. Loan sharks from other municipalities extend their services in multiple municipalities with 84.8% (Table 17) and among them, 47.3% (Table 18) partnered with local loan sharks to expand their service.

**Table 1 Demographic Characteristics of Microentrepreneur and Microenterprise**

Microentrepreneur	Frequency	%	Microenterprise	Frequency	%
<b>Sex</b>			<b>Type of Business</b>		
Male	573	67.41	Merchandising	591	69.5

Female	277	32.59	Manufacturing	123	14.5
<b>Age</b>			Services	136	16.0
15-28 years old	27	3.18	<b>Years of Operation</b>		
29-39 years old	128	15.06	0-5	134	15.8
40-50 years old	292	34.35	6-10	321	37.8
51-61 years old	304	35.76	Above 10	395	46.5
62 and above	99	11.65	<b>Location</b>		
<b>Civil Status</b>			District 1	350	41.18
Single	65	7.65	District 2	500	58.82
Married	616	72.47	Total	850	100%
Others	169	19.88			
<b>Educational Attainment</b>					
HS Graduate	47	5.53			
College Level	291	34.24			
Col. Graduate	269	31.65			
Post Graduate	243	28.59			
Total	850	100%			

### Nature of Services Provided by Loan Sharks to Microenterprises

The referral system is the most common way to avail the services of loan sharks, especially those with existing experience from their terms with 73.6% (Table 19). Having an enterprise is one requirement to guarantee and avail their services with 55.4% (Table 20), usually with 10-15% interest imposition (Table 21) every month 70.1% (Table 22). Agreements are being signed to avail the services of loan sharks with 68.6% (Table 23). The collection schedule of payments is daily with 40.2% (Table 24) and when the collection schedule changes, loan sharks inform in advance with 60.6% (Table 25).

### Microenterprise engagement to loan-sharks

Microenterprises keep on engaging with loan sharks because of the following reasons: access to capital, easy payment terms, sustainability, bigger loan on succeeding terms, etc. (Table 26) Table 27 shows the results an overall favorability in most of the variables, as to sustainability, profitability, and standard of living when taken as a whole and grouped based on sex (Table 28) have a positive effect on microenterprises' significant level when grouped according to location, sub-variables show a significant difference. In contrast, the business's profitability shows a contradiction. When grouped according to location, the result indicates substantial differences in all variables except for profitability (Table 29), where it shows a contradiction in findings. The civil status result shows no significance on all variables, while the educational attainment (Table 30) and age of respondents show importance on the effects of loan sharks on microenterprises. The type of business and years of operation variables and sub-variables also showed significant results on the effects of loan-sharking (Table 31).

**Table 27 Effects of loan-sharking on microenterprises in terms of sustainability of the business, the profitability of the business, and standard of living when grouped according to sex, age, civil status, educational attainment, location, type of business, and years of operation.**

Demographics	Sustainability	Profitability	Standard of Living	N
Sex				
Male	3.16***	3.11***	2.81***	277
Female	3.36***	3.3***	3.07***	573
Age				
15-28 years old	3.12***	3.04***	2.7***	99
29-39 years old	3.4***	3.29***	3.11***	304
40-50 years old	3.4***	3.36***	3.05***	292
51-61 years old	3.08***	3.08***	2.83***	128
62 and above	2.72***	2.64***	2.46***	27
Civil Status				
Single	3.29***	3.19***	3.06***	169
Married	3.3***	3.26***	2.96***	616
Others	3.27***	3.12***	2.99***	65
Educational Attainment				
High School Graduate	3.11***	3.1***	2.77***	243
College Level	3.29***	3.21***	2.97***	269
College Graduate	3.51****	3.4***	3.2***	291
Post Graduate	3.06***	3.03***	2.8****	47
Location				
District1	3.22***	3.25***	2.77***	350
District2	3.35***	3.22***	3.13***	500
Type Business				
Merchandising	3.33***	3.27***	3.0***	591
Manufacturing	2.92***	2.93***	2.63***	123
Services	3.5****	3.36***	3.21****	136
Years Operation				
0-5	3.42****	3.29***	3.21****	134
6-10	3.46****	3.26***	3.18****	321
Above 10	3.13***	3.19***	2.75***	395
Total	3.3***	3.23***	2.98***	850

Legend: \*=1-1.8 – Not Favorable \*\*=1.81-2.6- Less Favorable \*\*\*=2.61-3.4 - Favorable  
 \*\*\*\*=3.41-4.2 – Highly Favorable \*\*\*\*\*=4.21-5 – Very Highly Favorable

## DISCUSSION

The profiling shows that most businesses know who the loan sharks are and it would entail that loan sharking is one option for them to pursue business as they know how it works and has a big attribute towards the continuance of their business and is a predictor of trust towards their lender. Results also show that most of the microenterprises have bank accounts, still 40.7% of which has no bank accounts, and if we include those practicing the cash box system, it could outnumber the population of the respondent with bank accounts. With that, we

can safely say that microenterprises have a hard time availing access to banks may be because of too many requirements set by banks, most bank's locations are in the cities, or because microenterprises have no experience in doing business with traditional banks and help from the Local Government Units, NGOs, Peoples organizations, and NGAs intervention through linkage is a good action in promoting sustainable business developments. Since support from a traditional bank were gathered with the most responses, such indicator mean that microenterprises are trying their best to have bank access to secure loans, fair interest imposition, and adapt to the trend.

Microenterprises record their earnings daily since most respondents are into retail and wholesale types of business. Relating this to the following studies, when vendors run out of cash, it indicates that they do not know how to plan their finances because anticipating cash needs, physical protection, accurate accounting, and minimizing idle cash are fundamental objectives of cash management (Meigs & Meigs, 1993). The minimal cash planning or microenterprise recording concept compounds this behavior, as shown by the indiscriminate borrowing even at predatory interest rates. Dobler (2006) claimed that firms with good inventory management could increase the firms' overall profit, which will result in an increased level of working capital, production, and customer satisfaction (Rajeev, 2008). This study agrees with their findings where we can see that microenterprise do inventory daily and weekly, and this practice means that inventory matters.

According to an interview conducted with Mr. Sanjay, an Indian national who is offering his services in the Municipality of Sigma says that other foreign loan sharks are offering the same services as Vietnamese, Chinese, and Cambodians with ages ranging from 25-45 years old. This simply implies that opportunities in lending money informally to microenterprises in the Province of Capiz are being taken advantage of by neighboring ASEAN countries as well as Central Asia. In the context of partnership, we can say that loan sharks have their individuality when tying up with other loan sharks. Based also on an interview with Mr. Sanjay, Indian Banks are offering capital for Indians who are planning to do business in the Philippines for them to do start-ups, and one instance is that Indians are taking advantage of it because of the scheme that they are providing with their people. That's why Bombay (Indian Lenders) which offers a 5/6 scheme to Filipino microenterprises is being extended.

Results have shown that the loan sharks referral system from those who have experience availing loan from a loan shark is the most effective way to promote its services. Having an enterprise is one of the requirements in availing services from a loan shark while having work, collateral, and guarantors are the other options for a microenterprise to secure a loan. This simply shows that loan sharks assess the microenterprises' ability to pay. According to Usury Law under RA 2655, protection for borrowers in financial desperation would agree to pay excessive interest rates and punish unscrupulous creditors who take advantage of their plight. It provides a maximum interest of 12% per annum for secured loans, 14% for unsecured loans, and 6% in loans or judgments, or what is referred to as the legal rate of interest, in the absence of a contract as to the such rate of interest. It implies that loan sharks' interest imposition is way too high compared to the services offered by traditional banks in the country and are taking advantage of the weaknesses of the microenterprises. This result also agrees with Nugent (1941), Shergold (1978), and Booth (1990), who says that this is an underground operation with extremely high-interest rates and directly affects the economy.



Loan sharks were following monthly interest imposition with their borrower. Although the borrower and the lender agree upon some arrangements, a weekly and daily basis may be the option for microenterprises that need instant cash for emergency purposes. Loan sharks are also securing a signed agreement, especially when a particular individual refuses to pay them back - as this would be their proof that an individual owes them. Collecting payments from borrowers has been imposed since the familiarity of the five-six (5/6) scheme arises. It gives loan sharks the idea of its effectiveness in securing daily collective payments until an individual can impasse. Information through text message is also provided to borrowers that changes in the collection schedule, this would entail that loan sharks also provide their borrowers a form of social responsibility in this kind of action. The easy payment scheme is one factor that microenterprises to keep on engaging with loan sharks. Unlike micro-finance and traditional banks, the hassles where you need to fall in line to pay your dues, travel a distance to their location, and extra expense on gasoline, fare, and food is too much for microenterprises.

According to Clarissa Hauptmann (2017), borrower sustainability performance reduces loan spreads, which only holds when the corresponding lenders exhibit high sustainability. Since this study shows a favorable response, business sustainability that can stand with their competitors are more likely to secure a loan from a loan shark which provides sustenance, improvement, and linkage to microenterprises. As investigated by Ssendi, L., & Anderson, A. R. (2009), they found that loans have had some benefits in improving the profitability of microenterprises. With this study, a loan gained from a loan shark shows a neutral effect on business operations, primarily in areas like savings, paying debts, and paying monthly bills. In a study conducted by (George W. Haynes, 1999) microenterprises held a significantly smaller percentage of total debt in small banks. The size, age, and quality variables were not statistically significant for borrowers using a large bank. This study disagrees with his findings.

According to (PsyncINFO Database Record, 2016), male-biased sex ratios lead men to discount the future. They desire immediate rewards influencing economic decisions. This study agrees with their findings as most of the respondents are male, with significant results towards the effects of loan sharking on microenterprises. According to Michelle M. Zaragoza and Rose A. Arceño (2016) on the Consequences of Borrowing Money from Lending Institutions on Job Performance, married people have bigger financial needs such as food, clothing, education for children, health, medicine, acquiring properties, and doing businesses. Therefore this study is not of the same findings. The effects of loan-sharking on microenterprises in terms of sustainability of the business, profitability of the business, and standard of living vary when grouped according to education. Coleman, S. (2004) determines if the educational level of the firm owner has an impact on securing a loan, and the results state that having a college degree, especially in business, has an immense possibility to secure a loan. Since this study shows a significant effect on all educational attainment and sub-variable, this agrees with Colemans' findings.

## CONCLUSIONS

The significant effects of loan-sharking on microenterprises' sustainability were observed in terms of their ability to compete in the market daily. By borrowing money and establishing linkages, microenterprises were able to improve their businesses and extend their lifespan. This

also positively affected their standard of living by meeting their daily needs, reducing financial stress, and enabling them to save and plan for the future of their enterprise.

However, the study found contradictory results regarding the profitability of microenterprises on loan-sharking. While loan-sharking helped them pay their bills and debts, it had no significant effects on improving their savings. The imposition of exuberant interest rates by loan sharks was identified as a significant factor affecting the profitability of microenterprises.

Overall, while loan-sharking can help extend the sustainability of microenterprises and improve their standard of living, it may negatively impact their profitability. Borrowing from loan sharks may provide immediate relief, but the high interest rates can burden daily sales and affect profitability. It is crucial to weigh the pros and cons of loan-sharking carefully before taking on such loans.

## **RECOMMENDATIONS**

In light of the above findings and conclusions, the following recommendations are as a result of this endorsement:

1. Microenterprises may start complying with necessary documents (IDs) in the opening of bank accounts to adjust to the digital payment system. Gcash and PayMaya as forms of payment are aggressively colonizing the payment transaction scheme in the community since most people have smartphones and access to the internet.
2. Microenterprise behavior and attitude towards money management must be changed.
3. Minimizing unnecessary loans of microenterprises on business operations is one factor to improve their enterprise.
4. NGOs and POs can aid the microenterprise's endeavors in enterprise operation and help them link to formal loan schemes available.
5. Banks should set minimum requirements to help microenterprises access capital to support their enterprise.
6. The government should create a policy regulating loan sharks as it would provide income from the interest that they are imposing on their lenders.
7. The NGAs especially the SEC, DTI, and other agencies should start a movement or caravan in registering loan sharks so that they could be monitored and regulated and not take advantage of their borrowers' weaknesses.
8. The government, especially the (LGU) should take action on the financial literacy of microenterprises, especially for start-ups. The creation of a business clinic to guide start-ups and microenterprises on their business journey.
9. Research studies with detailed scope to this are recommended to validate the findings of this research.

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## Tables

**Table 1 Profile of microenterprise knowledge on anyone with a business loan from a loan shark**

Microenterprise idea on businesses with a loan from a loan shark	Frequency	Percent
I know someone	693	81.5
I do not know anyone	146	17.2
I refuse to answer	11	1.3
Total	850	100.0

**Table 2 Profile of microenterprise knowledge on how loan-shark works**

Microenterprise idea on how loan sharks works	Frequency	Percent
I know how it works	634	74.6
I do not know how it works	212	24.9
I refuse to answer	4	0.5
Total	850	100.0

**Table 3 Profile of microenterprise having loan from a loan-shark**

Microenterprise loan from a loan-shark	Frequency	Percent
I do not have a loan from a loan-shark	433	50.9
I have a loan from a loan shark.	367	43.2
I refuse to answer	44	5.2
I have multiple loans from loan sharks.	6	0.7
Total	850	100.0

**Table 4 Profile of microenterprise plan on staying long-term relationship with a loan-shark/s**

Microenterprise plan on staying with loan-shark	Frequency	Percent
I refuse to answer.	5	.6
Valid No, I want to get out of loan-shark.	144	16.9
Yes, I plan to stay long-term with a loan shark.	218	25.6
Total	367	43.2
Missing System	483	56.8
Total	850	100.0

**Table 5 Profile of microenterprise availing services of loan-shark**

Microenterprise availing services of loan-shark	Frequency	Percent
Valid I refuse to answer.	8	.9
More than ten years	15	1.8
5 – 10 years	87	10.2
0 – 5 years	108	12.7
Total	218	25.6
Missing System	632	74.4
Total	850	100.0

**Table 6 Profile of microenterprises who has bank account**

Microenterprise with bank accounts	Frequency	Percent
I refuse to answer.	37	4.4
I have a cash box.	55	6.5
I don't have a bank account.	346	40.7
I have multiple bank accounts.	30	3.5
I have a bank account.	382	44.9
Total	850	100.0

**Table 7 Profile of microenterprise opportunity in scaling-up their enterprise and considering the following as their support**

Microenterprise opportunity to support their enterprise	Frequency	Percent
Loan Sharks	173	20.4
Formal Banks	418	49.2
Microfinance Institution	361	42.5
Others	218	25.6
Total	850	100

**Table 8 Profile of microenterprises that has a loan from a bank**

Microenterprise with a loan from a bank	Frequency	Percent
I refuse to answer.	12	1.4
I don't have a bank loan.	618	72.7
I have multiple bank loans.	25	2.9
I have a bank loan.	195	22.9
Total	850	100.0

**Table 9 Profile of microenterprise on recording their earnings**

Microenterprise on recording their earnings	Frequency	Percent
I refuse to answer.	3	.4
I don't record.	226	26.6
Monthly	99	11.6
Weekly	117	13.8
Daily	405	47.6
Total	850	100.0

**Table 10 Profile of microenterprise in doing inventory**

Microenterprise on recording their inventory	Frequency	Percent
I refuse to answer.	4	.5
I don't record.	189	22.2
Monthly	115	13.5
Weekly	272	32.0
Daily	270	31.8

Total	850	100.0
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**Table 11 Profile of microenterprise knowledge of loan sharks presence in their locality**

Loan-shark presence on microenterprises locality	Frequency	Percent
Others, please specify	1	.1
I refuse to answer.	11	1.3
I don't know any loan sharks at all.	81	9.5
I know loan-shark for other localities	42	4.9
I see some loan sharks in my localities.	715	84.1
Total	850	100.0

**Table 12 Profile of microenterprise knowledge on how many loan sharks are present in their locality**

Presence of loan-shark on microenterprise locality	Frequency	Percent
I refuse to answer.	53	6.2
Ten and more loan sharks.	127	14.9
6 – 10 loan sharks.	190	22.4
1 – 5 loan sharks.	480	56.5
Total	850	100.0

**Table 13 Profile of microenterprise idea on loan-shark financier/s**

Microenterprise idea on loan-shark financier/s	Frequency	Percent
I refuse to answer.	62	7.3
No, they fund themselves.	393	46.2
Yes, they have financiers.	395	46.5
Total	850	100.0

**Table 14 Profile of foreign loan sharks in microenterprise locality.**

Presence of foreign loan sharks on microenterprise locality	Frequency	Percent
I refuse to answer.	27	3.2
No, there isn't.	87	10.2
Yes, there are.	736	86.6
Total	850	100.0



**Table 15 Profile of foreign loan sharks from other municipalities that offer services on microenterprise locality**

Foreign loan sharks from other municipalities presence on microenterprises locality	Frequency	Percent
I refuse to answer.	30	3.5
No, there isn't.	99	11.6
Yes, there are.	721	84.8
Total	850	100.0

**Table 16 Profile of local or foreign financiers that partners with loan sharks**

Foreign/Local financiers that partners with loan sharks	Frequency	Percent
I refuse to answer.	66	7.8
They partner with local financiers.	100	11.8
They finance themselves.	402	47.3
They have foreign financiers.	282	33.2
Total	850	100.0

**Table 17 Advertising of loan-shark services**

Promotional activities of loan sharks	Frequency	Percent
Others, please specify	11	1.3
I refuse to answer.	28	3.3
Loan sharks texted us about their services.	6	.7
Loan sharks approach us directly.	179	21.1
Referral from others who have availed services of loan sharks.	626	73.6
Total	850	100.0

**Table 18 Loan sharks' requirements to avail their services**

Loan-shark requirements	Frequency	Percent
Should have a work	272	32.0
Should have an enterprise	471	55.4
Collateral	316	37.2
Refuse to answer	163	19.2

Others	114	13.4
Total	850	100.0

**Table 19 Interest rate imposition of loan sharks**

Interest imposition of loan sharks	Frequency	Percent
20% and above.	58	6.8
15% - 20%	291	34.2
10% -15%	365	42.9
5% - 10%	113	13.3
Less than 5%	23	2.7
Total	850	100.0

**Table 20 Schedule of interest imposition in time measurement**

Time measurement of interest imposition	Frequency	Percent
Others, please specify	11	1.3
Monthly basis.	596	70.1
Weekly basis.	116	13.6
Daily basis.	127	14.9
Total	850	100.0

**Table 21 Signed agreements on availing loan-shark services**

Signed agreements on availing loan-shark services	Frequency	Percent
I refuse to answer.	25	2.9
No, no agreements are signed to avail their services.	242	28.5
Yes, there are agreements beings signed to avail their services.	583	68.6
Total	850	100.0

**Table 22 Schedule of payment collection**

Schedule of payment collection	Frequency	Percent
Others, please specify	26	3.1
I refuse to answer.	12	1.4
Monthly.	206	24.2
Weekly.	264	31.1

Daily.	342	40.2
Total	850	100.0

**Table 23 Changes of schedule on payment collection**

Changes of schedule on payment collection	Frequency	Percent
I refuse to answer.	36	4.2
Loan sharks collect without any schedule.	163	19.2
No, they don't inform us at all.	136	16.0
Yes, they inform in advance.	515	60.6
Total	850	100.0

**Table 24 Microenterprise engagement on the services of loan sharks**

Microenterprise engagement on the services of loan sharks	Frequency	Percent
Bigger Loan	181	21.3
Sustainability	417	49.1
Easy Payment	447	52.6
Access to Capital	581	68.4
Others	177	20.8
Total	850	100.0

**Table 28 Significant difference in the effects of loan-sharking on microenterprises in terms of sustainability, profitability, and standard of living when grouped according to sex**

	Sex	N	Mean Rank	U	p-value	Interpretation
Sustainability	Male	573	448.93	65936.000	0.000	Significant
	Female	277	377.04			
Profitability	Male	573	443.02	69323.500	0.002	Significant
	Female	277	389.27			
Standard Living	Male	573	451.31	64572.500	0.000	Significant
	Female	277	372.11			
	Total	850				

**Table 29 Significant difference in the effects of loan sharking on microenterprises in terms of sustainability, profitability, and standard of living when grouped according to location**

	Location	N	Mean Rank	U	p-value	Interpretation
Sustainability	District1	350	393.19	76193.000	0.001	Significant
	District2	500	448.11			
Profitability	District1	350	425.57	87477.000	0.995	Not Significant
	District2	500	425.45			
Standard Living	District1	350	369.02	67731.000	0.000	Significant
	District2	500	465.04			
	Total	850				

**Table 30 Significant difference in the effects of loan-sharking on microenterprises in terms of sustainability, profitability, and standard of living when grouped according to civil status**

	Civil Status	N	Mean Rank	$\chi^2$	p-value	Interpretation
Sustainability	Others	65	410.00	.511	.775	Not Significant
	Married	616	428.91			
	Single	169	419.02			
Profitability	Others	65	385.52	2.720	.257	Not Significant
	Married	616	432.81			
	Single	169	414.25			
Standard Living	Others	65	415.58	1.456	.483	Not Significant
	Married	616	421.10			
	Single	169	445.36			
	Total	850				

**Table 31 Significant difference in the effects of loan-sharking on microenterprises in terms of sustainability, profitability and standard of living when grouped according to educational attainment**

	Education	N	Mean Rank	$\chi^2$	p-value	Interpretation
Sustainability	High School Graduate	47	370.64	39.917	0.000	Significant
	College Level	291	490.95			
	College Graduate	269	420.47			
	Post Graduate	243	363.30			
Profitability	High School Graduate	47	376.78	18.803	0.000	Significant
	College Level	291	470.91			
	College Graduate	269	420.35			
	Post Graduate	243	386.24			

Standard Living	High School Graduate	47	367.67			
	College Level	291	488.81			
	College Graduate	269	420.89	37.512	0.000	Significant
	Post Graduate	243	365.97			
	Total	850				

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