

**INFLUENCE OF MICROFINANCING ON THE FINANCIAL STABILITY
AND PROFITABILITY OF THE MICROENTERPRISES IN SELECTED
FIRST CLASS MUNICIPALITIES IN CAVITE**

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ABSTRACT

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The study was conducted to determine the influence of microfinancing on the financial stability and profitability of microenterprises in the selected first class municipalities in Cavite. Specifically, the study was designed to: describe the socio-demographic characteristics of the microenterprise owners; describe the business characteristics of the microenterprises; describe the microfinance loan acquisition and utilization of the microenterprises; determine the stability in the finances of microenterprises as indicated by its cash flow need and liquidity; determine the profitability of the microenterprises as to its return on assets and net profit margin; ascertain if there is a significant relationship between the microfinance loan acquisition and utilization and the financial stability of the microenterprises; ascertain if there is a significant relationship between the microfinance loan acquisition and the utilization and profitability of the microenterprises; and ascertain if there is a significant relationship between the financial stability of the microenterprise businesses and its profitability.

The study was conducted in selected first class municipalities of Cavite including Indang, Naic, and Alfonso, summing up to a total of 100 microenterprise owners as the participants of the study. They were identified using purposive and stratified sampling techniques. Purposive sampling was used to select the microenterprises based on the characteristics of the population. Meanwhile, stratified sampling technique was used to

identify the participants from each municipality. Pearson correlation and Spearman rank correlation were used to determine the relationship of microfinance loan acquisition and utilization to the financial stability and profitability of the microenterprises and the relationship between the financial stability and profitability of the microenterprises.

The study revealed that microfinancing was found to have a strong influence in the financial stability and profitability of the microenterprises. However, it yields no significant relationship between the microfinance loan acquisition and utilization and the financial stability of the microenterprises in terms of cash flow needs except for the amount of loan. On the other hand, microenterprise loan acquisition and utilization and the financial stability in terms of liquidity showed no significant relationship with each other as well as with the profitability. Moreover, the profitability of the microenterprises in selected first-class municipalities of Cavite showed a substantial relationship with the financial stability in terms of liquidity. Financial stability in terms of cash flow needs likewise showed no relationship with the profitability.

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