

# Members' Satisfaction of Products and Services and Effectiveness of Microfinance Institutions Dapitan City

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## ABSTRACT

This study aimed to determine the level of members' satisfaction with the products and services of microfinance institutions and their effectiveness in Dapitan City during Calendar Year 2024. Using the descriptive-correlational research design, the study involved one hundred (100) respondents. The data were analyzed using the weighted mean, standard deviation, and Pearson Product-Moment Correlation Coefficient. The results showed that the respondents were very satisfied with the products offered, specifically loan application and loan features, as well as with the services offered, including customer service and non-financial services. Moreover, the respondents perceived the effectiveness of the products and services of microfinance institutions as moderate in terms of personal status and business status, and to a great extent in terms of financial status. "The study revealed that there was no significant relationship between the level of satisfaction with microfinance institutions' products offered and the effectiveness of their products and services." In light of these findings, future researchers are encouraged to undertake longitudinal studies to examine the long-term impact of microfinance services.

**Keywords:** satisfaction on microfinance institutions' products and services offered, effectiveness of the microfinance institutions, Dapitan City, Zamboanga del Norte

## INTRODUCTION

The microfinance sector plays a vital role in the financial market by extending financial services to low-income and underserved populations. The concept of microfinance gained prominence in the 1970s through the pioneering work of Muhammad Yunus, founder of the Grameen Bank in Bangladesh, who introduced small-scale lending to poor individuals excluded from formal banking systems. The primary purpose of microcredit is to provide financial assistance to marginalized sectors that are unable to access substantial loans from conventional financial institutions (Memon et al., 2022). On a global scale, microfinance has been regarded as an effective instrument for poverty reduction and socioeconomic advancement (Gabriel et al., 2021). Nevertheless, the expansion of microfinance institutions is constrained by challenges such as inadequate funding, weak financial management capabilities, low financial literacy, and limited market opportunities (Kyale, 2013). Despite these constraints, microfinance remains widely acknowledged as an important strategy for improving the quality of life of disadvantaged individuals. In addition to financial assistance, it provides services that enable clients to acquire productive assets, establish or expand businesses, and strengthen their capabilities through education and training (Gabriele et al., 2021). Hence, the provision of quality products and services is crucial to the effectiveness of microfinance institutions. Preserving borrowers' well-being throughout the loan cycle is equally important. As noted by Garg and Roy (2012), clients in the Philippines and India considered fair and respectful treatment as the most essential element of client protection, underscoring the importance of ethical and client-centered service delivery in microfinance.

The level of satisfaction with products and services and the effectiveness of microfinance institutions among their members have been linked to various factors across several studies. Respicio et al. (2023) found a

significant correlation between members' satisfaction with the products and services offered by microfinance institutions and their contribution to members' economic development. In the same vein, Bernard et al. (2017) revealed that satisfaction with microfinance services and products positively relates to entrepreneurial success, as microfinance supports business sustainability and improves members' personal and financial conditions. These findings indicate that member satisfaction is a vital element in assessing the effectiveness of microfinance institutions.

Using adopted questionnaires and distinct samples, previous studies have explored the accumulated antecedents and consequences of satisfaction with products and services and the effectiveness of microfinance institutions among their members. Respicio et al. (2023) further noted that several social and contextual factors were examined in relation to satisfaction and institutional effectiveness. However, the study also concluded that this area remains underexplored in the literature, particularly in the Province of Zamboanga del Norte. Thus, the present study aims to determine whether satisfaction with products and services influences the effectiveness of microfinance institutions. The researcher was inspired to undertake this investigation based on the view that member satisfaction, influenced by personal dispositions and business motivations, may significantly affect institutional effectiveness.

The purpose of this review is to fill the gaps in the existing literature on product and service satisfaction and to determine whether the concept of satisfaction should be broadened in relation to the effectiveness of microfinance institutions. It also examines organizational challenges that may hinder satisfaction with products and services, such as uncertainty and skepticism toward service delivery. Furthermore, it presents a critical analysis of prior findings on the effect of satisfaction on institutional effectiveness. However, a limitation of the existing literature is its lack of specificity in explaining how particular dimensions of products and services shape member satisfaction and institutional effectiveness. This limitation highlights the need for further research in this field.

## LITERATURE REVIEW

### Satisfaction

A large number of content customers is a prerequisite for the existence of numerous businesses on the market. Consumers are the primary drivers of a business's existence and growth in the marketplace. It follows that in order for businesses to compete, they must offer their clients products and services that are both valuable and distinctive and will meet their needs. This satisfaction encompasses not just the emotions connected to the products and services but also the environment prior to and following the actualization of membership (Biesok & Wyrod-Wrobel, n.d.). A subjective emotion resulting from unique personal perceptions and emotions is a state of satisfaction or dissatisfaction. This state of happiness or dissatisfaction is a reflection of how one feels about expectations for a particular service or product being met or not met. The client's level of satisfaction is linked to his positive impressions, and his level of dissatisfaction is linked to the absence of positive incentives (Stopka & Zitrický, 2016).

Customer satisfaction, or CSAT, measures the degree to which the products, services, and general customer experience live up to the expectations of its clients. It demonstrates how well customers are responding to your products or services, which

reflects on the health of your business (Franklin, 2023). In marketing, the term "customer satisfaction" is widely used to assess the customer experience. It is a gauge of how well the products and services of a business meet or exceed the expectations of its clients. "The number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals" is the definition of customer satisfaction (Godovykh & Tasci, 2020).

### Products Offered

As customers increasingly expect product offerings that are aligned with their individual preferences and immediate needs, a generic, one-size-fits-all approach to customer service has become inadequate. In many

organizations, service channels remain limited in their ability to deliver sufficiently diverse and well-developed offers, a condition often attributed to ineffective communication between marketing departments and service centers. Moreover, when product offerings are available within the service channel, they are frequently disseminated in a non-targeted manner to existing customers, irrespective of relevance or suitability. This practice results in diminished customer experience and consequently low acceptance and activation rates (Buesing, Kleinstein, & Wolff, 2018). To enhance customer value through improvements in product quality that reflect customer-identified needs, organizations are encouraged to adopt value innovation principles in product development processes (Hoe & Mansori, 2018).

### **Services Offered**

Consumers today exhibit increasingly diversified needs and demand higher-quality products and services. However, customer priorities often differ significantly from what organizations assume them to be in most cases (Hoe & Mansori, 2018). Despite the long-standing emphasis on service delivery, there remains a lack of a comprehensive and universally accepted model for understanding service quality. In this regard, one of the most widely used operational definitions conceptualizes quality as the customer's perception of service excellence (Tan, et al., 2016). Service quality is therefore considered one of the most critical determinants of a service organization's competitiveness. In the banking sector, for instance, institutions can differentiate themselves from competitors by delivering superior customer service. Failure to do so may result in customers withholding or refraining from purchasing banking products and services. Conversely, when a bank consistently ensures high service quality, customers are more likely to develop loyalty and continue utilizing its services (Auka, et al., 2013).

### **Customer Services**

When customers experience high-quality service, they tend to develop a sense of trust and security toward the service provider. Consequently, it becomes a primary responsibility of banks to ensure that both existing and potential clients receive consistently high-quality services. Research indicates that the provision of superior service quality contributes to customer retention, attracts new clients, encourages positive word-of-mouth referrals, enhances organizational reputation, and ultimately supports long-term survival and profitability (Auka, et al., 2013). Service quality is commonly defined as the degree and direction of discrepancy between customers' perceptions of service performance and their expectations. In this regard, a customer's evaluation of service quality is formed by comparing pre-service expectations with post-service experiences (Liat, et al., 2014).

### **Non-Financial Services**

Non-financial services encompass support such as information provision, education, networking opportunities, access to markets, and recognition. These services are intended to complement the financial offerings provided by banks (Howard, Sbitany, & Sancho, 2020). In this context, the International Labour Organization (ILO) has advocated for an alternative to the minimalist microcredit approach, whereby financial institutions integrate both financial and non-financial services to achieve greater developmental impact. This integrated approach acknowledges that small enterprises often fail to reach their full potential contribution to gross domestic product due to internal capacity constraints (International Labour Organization [ILO], n.d.). Furthermore, evidence suggests that approximately 94% of banks identify differentiation from competitors as their primary objective in offering non-financial services. Additional objectives include improving client retention, expanding loan portfolios, and enhancing overall customer service. It has also been observed that the majority of banks have significantly increased their engagement in non-financial service provision within the past one to five years (Fahr, n.d.).

### **Financial Status**

A member of a microfinance institution is considered to have attained improved financial status when they are able to meet daily financial needs, save for future consumption, access better education and healthcare services, and accumulate more household assets compared to their previous condition (Respicio, Irorita, Corpuz, & Abad, 2023). In the broader context, financial status within the microfinance sector refers to the institution's ability to

remain financially viable and sustainable in the market, and it is commonly used as an indicator of sector performance and growth (Lensink, et al., 2018). Financial status is further defined as an organization’s capacity to achieve its financial objectives without reliance on external assistance. Accordingly, it is typically measured using indicators such as financial self-sufficiency (FSS), return on assets (ROA), and portfolio growth (D’Espallier, et al., 2013).

**Personal Status**

A person's personal status includes things like having a stronger religious conviction, having enough money saved up for unfavorable events like accidents, natural disasters, and deaths, eating a large and healthy meal every day, participating in community events, and keeping their home clean (Respicio, et al., 2023).

**Business Status**

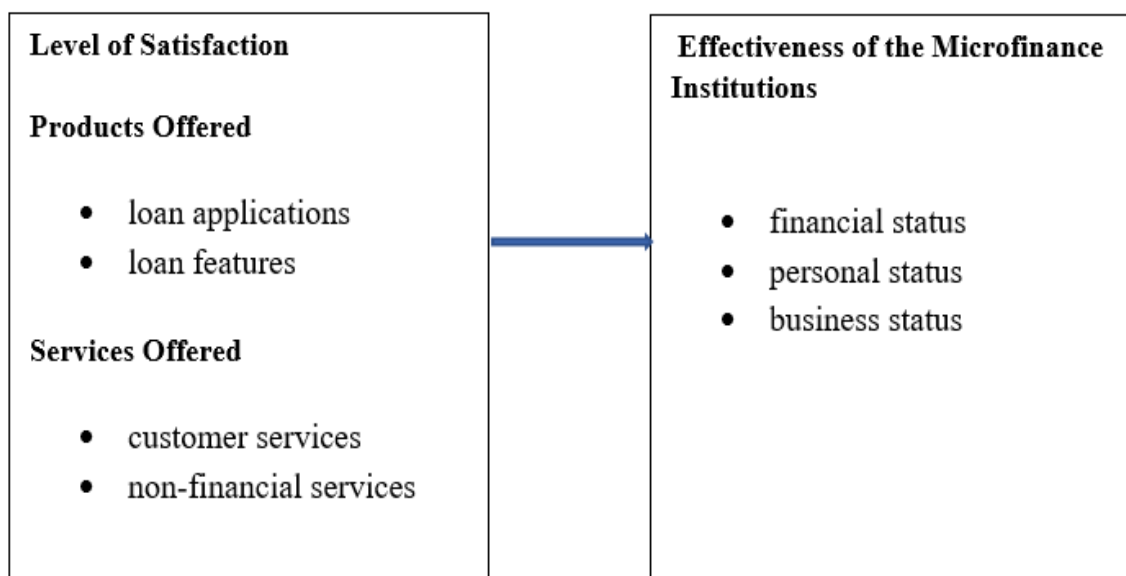
The term "business status" refers to how members of microfinance institutions are able to increase their weekly income from their businesses, as well as the volume and types of products they sell, their knowledge of business finance, their ability to manage other businesses, the number of clients they serve, the size of their business, their expansion into new locations, their investment in business tools, and the layout of their business stall or location (Respicio, et al., 2023).

**Conceptual Framework**

The conceptual framework is presented in Figure 1. First, the independent variable which is the level of satisfaction of products and services offered with indicators categorized into level of satisfaction of products offered, and level of satisfaction of service provided. Second, the dependent variable which is effectiveness of the microfinance institutions with indicators such as financial status, personal status and business status.

**INDEPENDENT VARIABLE**

**DEPENDENT VARIABLE**



(Respicio, et al., 2023).

**Figure 1. Conceptual Framework of the Study**

Figure 1: The framework reflects a correlation between level of satisfaction of products offered, and level of satisfaction of service provided and effectiveness of the microfinance institutions. The study intends to examine the influence of satisfaction of products offered, and level of satisfaction of service provided and effectiveness of the microfinance institutions.

## Statement of the Problem

This study aimed to determine the level of members' satisfaction of products and services and its effectiveness on the microfinance institutions' members in Dapitan City during the calendar year 2024.

Specifically, it sought to answer the following questions:

What is the members' level of satisfaction on microfinance institutions' products and services offered in terms of:

2.a. products offered

2. a. 1. loan application; and

2.a. 2. loan features?

2.b Services offered

2. b. 1 customer services; and

2. b. 2 non-financial services?

What is the members' extent of perception on the effectiveness of the products and services of microfinance institutions in terms:

3.1 financial status;

3.2 personal status; and

3.3 business status?

Is there a significant relationship between the level of satisfaction on microfinance institution products offered and effectiveness of the products and services?

## Hypothesis

Previous studies have established that satisfaction with products offered and satisfaction with services provided significantly influence the effectiveness of microfinance institutions (Respicio et al., 2023). Anchored on this literature, the present study aims to investigate the effects of and relationships among satisfaction with products offered, satisfaction with services provided, and the effectiveness of microfinance institutions.

## Scope and Limitation of the Study

This study is limited to determining the level of satisfaction with products and services and the effectiveness of microfinance institutions among one hundred (100) members in Dapitan City during Calendar Year 2024. It specifically examines two (2) indicators of satisfaction with products and services as the independent variables: products offered and services offered. The effectiveness of microfinance institutions, treated as the dependent variable, is assessed through three (3) indicators, namely: financial status, personal status, and business status. Moreover, the study aims to determine whether a significant relationship exists between the level of satisfaction with products and services and the effectiveness of microfinance institutions.

## RESEARCH METHODOLOGY

The study employed the survey and descriptive-correlational research methods. The survey method was used because the researcher gathered data through a questionnaire designed to assess the level of satisfaction with the products and services and the effectiveness of the microfinance institution. Creswell and Guetterman (2019) defined a survey as a research method used to collect data from a predetermined group of respondents in order

to obtain information and insights on various topics of interest. Meanwhile, correlational research is a type of non-experimental research in which the researcher measures variables and examines the statistical relationship between them without manipulating any extraneous variables (Bhat, 2019). In this study, correlational analysis was employed to determine the significant relationship between the level of satisfaction with the products and services and the effectiveness of the microfinance institution.

This study obtained consent from Research Ethics Committee in Microfinance Institutions. Respondents' identities were protected, their active participation guaranteed and ethical considerations satisfied in the following ways: This research ensured confidentiality of the respondents, this means that the participants' identity will remain anonymous to everyone. This study was conducted in the microfinance institutions' members in Dapitan City, Province of Zamboanga del Norte during the calendar year 2024. There are four (4) microfinance institutions that operates within the locality. These institutions are part of the city's local financial environment, which provides accessible financial services such as microcredit, savings, and livelihood assistance to micro-entrepreneurs and low-income households. The respondents of the study are the hundred (100) members in the microfinance institutions in Dapitan City during the calendar year 2024.

The following ranges of values with their descriptive interpretation will be used:

#### Level of Satisfaction of Products and Services Offered

Scale	Range of Values	Description	Interpretation
5	4.21 – 5.00	Strongly Agree	Very Satisfied
4	3.41 – 4.20	Agree	Satisfied
3	2.61 – 3.40	Somewhat Agree	Somewhat Satisfied
2	1.81 – 2.60	Disagree	Dissatisfied
1	1.00 – 1.80	Strongly Disagree	Very Dissatisfied

#### Effectiveness of the Microfinance Institutions

Scale	Range of Values	Description	Interpretation
5	4.21 – 5.00	Strongly Agree	Very Great Extent
4	3.41 – 4.20	Agree	Great Extent
3	2.61 – 3.40	Somewhat Agree	Moderate
2	1.81 – 2.60	Disagree	Limited Extent
1	1.00 – 1.80	Strongly Disagree	Very Limited Extent

#### Data presentation and analysis

The data are presented in accordance with the statement of the problems of the current study. The study aimed to answer the following questions:

What is the members' level of satisfaction on microfinance institutions' products and services offered in terms of:

2.a. products offered

2. a. 1. loan application; and;

2.a. 2. loan features?

2.b Services offered

2. b. 1 customer services; and

2. b. 2 non-financial services?

**Table 1. Members’ Level of Satisfaction on Microfinance Institutions in terms of Products Offered.**

Satisfaction of Products Offered	Mean	SD	Description	Interpretation
<b>Loan Application</b>				
1. Loans are easy to access.	4.66	0.7138	Strongly Agree	Very Satisfied
2. Forms are easy to understand and fill out.	4.77	0.5660	Strongly Agree	Very Satisfied
3. The location of the branch is accessible.	4.76	0.5341	Strongly Agree	Very Satisfied
4. Fast processing to get the loan.	4.67	0.6675	Strongly Agree	Very Satisfied
5. The interest of the loan was discussed well before you accepted the loan.	4.76	0.5707	Strongly Agree	Very Satisfied
6. Documentary requirements are easy to complete.	4.68	0.6946	Strongly Agree	Very Satisfied
7. The processing fee of the loan was discussed well before you accepted the loan.	4.69	0.6771	Strongly Agree	Very Satisfied
8. Sufficient time was given to review the terms and conditions of the loan.	4.72	0.5519	Strongly Agree	Very Satisfied
9. Capacity to pay was checked before they approved your loan.	4.77	0.5478	Strongly Agree	Very Satisfied
10. Staff visited you to verify the information you have provided.	4.68	0.6495	Strongly Agree	Very Satisfied
<b>Overall</b>	<b>4.716</b>	<b>0.6173</b>	<b>Strongly Agree</b>	<b>Very Satisfied</b>

(Respicio, et al., 2023).

Table 1 shows the respondents’ level of satisfaction with microfinance institutions in terms of loan application. The findings indicate that the respondents strongly agreed with all indicators, including ease of loan access, clarity of forms, branch accessibility, fast loan processing, explanation of loan interest and processing fees, ease of documentary requirements, sufficient time to review terms and conditions, verification of repayment capacity, and staff validation of the information provided. The overall mean of 4.716 and standard deviation of 0.6173 indicate **strong agreement** and a verbal interpretation of **very satisfied**. This suggests that the respondents were highly satisfied with the loan application processes of the microfinance institutions. This finding is supported by Shane et al. (2023), who likewise found that members were satisfied with microfinance products and services in terms of loan application.

**Table 2. Members’ Level of Satisfaction on Microfinance Institutions in terms of Products Offered.**

Satisfaction of Products Offered	Mean	SD	Description	Interpretation
<b>Loan Feature</b>				
1. Time to pay the loan is compatible to my capability	4.37	0.5801	Strongly Agree	Very Satisfied
2. Institution can provide my financial need.	4.34	0.6391	Strongly Agree	Very Satisfied
3. Payment method is reasonable.	4.37	0.6460	Strongly Agree	Very Satisfied
4. Process of loan disbursement is smooth.	4.41	0.6977	Strongly Agree	Very Satisfied
5. The institution has reasonable service fee.	4.45	0.6571	Strongly Agree	Very Satisfied
6. Allow repayment.	4.47	0.7447	Strongly Agree	Very Satisfied
7. Reasonable penalties for nonpayment/default.	4.42	0.7132	Strongly Agree	Very Satisfied
8. Requirement to save regularly.	4.41	0.7534	Strongly Agree	Very Satisfied
9. Ability to withdraw savings for emergency.	4.38	0.7756	Strongly Agree	Very Satisfied
10. The institution has reasonable interest rate	4.41	0.7530	Strongly Agree	Very Satisfied
<b>Overall</b>	<b>4.403</b>	<b>0.7705</b>	<b>Strongly Agree</b>	<b>Very Satisfied</b>

(Respicio, et al., 2023).

Table 2 presents the respondents' level of satisfaction with loan features. All indicators were rated **strongly agree**, including compatibility of payment period with repayment capacity, adequacy of financial assistance, reasonableness of payment methods, smooth loan disbursement, fair service fees, allowance for repayment, reasonable penalties for default, regular savings requirements, emergency withdrawal of savings, and reasonable interest rates. The overall mean of 4.403 and standard deviation of 0.7705 indicate that the respondents were **very satisfied** with the loan features offered by the institutions. This result is consistent with Shane et al. (2023), who reported a similarly high level of satisfaction with loan features among microfinance members.

**Table 3. Members' Level of Satisfaction on Microfinance Institutions in terms of Services Offered.**

Satisfaction of Services Offered	Mean	SD	Description	Interpretation
<b>Customer Service</b>				
1. Supervisor visits clients to monitor and give updates.	4.2500	0.9031	Strongly Agree	Very Satisfied
2. The staff gives information about programs and services.	4.5000	0.7588	Strongly Agree	Very Satisfied
3. The staffs are polite.	4.4900	0.7316	Strongly Agree	Very Satisfied
4. Not having difficulty to contact the employee.	4.4000	0.7654	Strongly Agree	Very Satisfied
5. Staff oriented you that you have the right to complaint and how to communicate it.	4.4500	0.7961	Strongly Agree	Very Satisfied
6. Institution is fast in resolving your complaint or problem.	4.3700	0.7870	Strongly Agree	Very Satisfied
7. Employee did not ask for bribe in return for the fast service.	4.4300	0.7946	Strongly Agree	Very Satisfied
8. Employees discussed well the information like the loan interest and others like the rights and responsibility of client.	4.5100	0.6889	Strongly Agree	Very Satisfied
9. The way the employee collect amortization is acceptable	4.4500	0.7322	Strongly Agree	Very Satisfied
10. Waiting time before someone assisted you at the Branch.	4.4400	0.7564	Strongly Agree	Very Satisfied
<b>Overall</b>	<b>4.429</b>	<b>0.7714</b>	<b>Strongly Agree</b>	<b>Very Satisfied</b>

(Respicio, et al., 2023).

Table 3 reflects the respondents' level of satisfaction with customer service. The data show that all indicators were rated **strongly agree**, including supervisor monitoring visits, staff provision of information, employee politeness, ease of contacting staff, orientation on the right to complain, prompt complaint resolution, absence of bribery, clear explanation of loan information and client responsibilities, acceptable amortization collection practices, and reasonable waiting time at the branch. The overall mean of 4.429 and standard deviation of 0.7714 indicate that the respondents were **very satisfied** with customer service. This implies that the institutions maintained a favorable level of service delivery that met the members' expectations. The finding supports Shane et al. (2023), who also found strong satisfaction with customer service among microfinance clients.

**Table 4. Members' Level of Satisfaction on Microfinance Institutions in terms of Services Offered.**

Satisfaction of Services Offered	Mean	SD	Description	Interpretation
<b>Non-Financial Service</b>				
1. Gives advice about problems related to business during collection day	3.880	0.9876	Agree	Satisfied
2. Gives training about business to clients.	3.730	1.053	Agree	Satisfied

3. Gives community development project in different municipalities.	3.670	1.055	Agree	Satisfied
4. Gives Scholarship to people.	3.590	1.055	Agree	Satisfied
5. Launch Christian Enrichment Program.	3.556	1.109	Agree	Satisfied
6. Doing activities that care about environment.	3.530	1.123	Agree	Satisfied
7. Doing activities about health.	3.590	1.129	Agree	Satisfied
8. Educating about the importance of savings.	3.830	0.9853	Agree	Satisfied
9. Linking the business to potential clients.	3.800	1.015	Agree	Satisfied
10. Educating about the importance of managing income and expenses.	3.860	1.005	Agree	Satisfied
<b>Overall</b>	<b>3.7036</b>	<b>1.052</b>	<b>Agree</b>	<b>Satisfied</b>

(Respicio, et al., 2023).

Table 4 presents the respondents' satisfaction with non-financial services. The respondents generally **agreed** with the indicators, including business advice during collection days, business training, community development projects, scholarships, Christian enrichment programs, environmental activities, health-related activities, savings education, business linkages, and income and expense management education. The overall mean of 3.7036 and standard deviation of 1.052 indicate a description of **agree** and an interpretation of **satisfied**. This suggests that while the respondents were satisfied with the non-financial services, the level of satisfaction was lower than that reported for loan application, loan features, and customer service. The result is in line with Shane et al. (2023), who also found member satisfaction in relation to non-financial services.

What is the members' extent of perception on the effectiveness of the products and services of microfinance institutions in terms:

- 3.1 financial status;
- 3.2 personal status; and
- 3.3 business status?

**Table 5. Members' Perception on the Effectiveness of the Products and Services of Microfinance Institutions in terms of Financial Status.**

Financial Status	Mean	SD	Description	Interpretation
1. Ability to pay.	4.770	0.5478	Strongly Agree	Very Great Extent
2. Ability to save for the future.	4.400	0.8165	Strongly Agree	Very Great Extent
3. More good status to achieve education.	4.280	0.8998	Strongly Agree	Very Great Extent
4. More good ways to achieve good health. Table 7. Continued...	2.930	1.273	Somewhat Agree	Moderate Extent
5. Household assets have increased.	2.880	1.258	Somewhat Agree	Moderate Extent
<b>Overall</b>	<b>3.852</b>	<b>0.9590</b>	<b>Agree</b>	<b>Great Extent</b>

(Respicio, et al., 2023).

Table 5 shows the respondents' perception of the effectiveness of microfinance products and services in terms of financial status. The highest-rated indicators were ability to pay, ability to save for the future, and better opportunity to achieve education, all interpreted as **very great extent**. Meanwhile, better ways to achieve good health and increased household assets were rated only at a **moderate extent**. The overall mean of 3.852 with a standard deviation of 0.9590 corresponds to **agree** and is interpreted as **great extent**. This indicates that the respondents perceived the products and services of microfinance institutions as generally effective in improving their financial status. This finding supports Shane et al. (2023), who also reported positive financial outcomes among members of microfinance institutions.

**Table 6. Members’ Perception on the Effectiveness of the Products and Services of Microfinance Institutions in terms of Personal Status.**

Personal Status	Mean	SD	Description	Interpretation
1. Stronger faith in religion.	2.420	1.191	Disagree	Limited Extent
2. Enough money for unfortunate events like natural calamity, accident and death.	2.600	1.198	Disagree	Limited Extent
3. Volume and quality of daily meal.	2.780	1.260	Somewhat Agree	Moderate Extent
4. Joining in the community occasions.	2.580	1.065	Disagree	Limited Extent
5. Cleanliness in the family (water and sanitation condition).	2.800	1.295	Somewhat Agree	Moderate Extent
<b>Overall</b>	<b>2.636</b>	<b>1.202</b>	<b>Somewhat Agree</b>	<b>Moderate Extent</b>

(Respicio, et al., 2023).

Table 6 presents the respondents’ perception of effectiveness in terms of personal status. The indicators on stronger faith in religion, financial readiness for unfortunate events, and participation in community occasions were rated **disagree**, with an interpretation of **limited extent**. In contrast, volume and quality of daily meals and family cleanliness or sanitation were rated **somewhat agree**, corresponding to a **moderate extent**. The overall mean of 2.636 and standard deviation of 1.202 indicate that the effectiveness of microfinance products and services in terms of personal status was perceived only to a **moderate extent**. This suggests that although some aspects of personal well-being may have improved, the overall effect on personal status remained limited. This finding contradicts Shane et al. (2023), who reported a stronger influence of microfinance institutions on members’ personal status.

**Table 7. Members’ Perception on the Effectiveness of the Products and Services of Microfinance Institutions in terms of Business Status.**

Business Status	Mean	SD	Description	Interpretation
1. Weekly income of the business are increasing.	2.710	1.175	Somewhat Agree	Moderate Extent
2. Increased in volume and kinds of products.	2.730	1.153	Somewhat Agree	Moderate Extent
3. Knowledge in business financial aspect are being developed.	2.720	1.074	Somewhat Agree	Moderate Extent
4. Progress in the practices in business management.	2.660	1.130	Somewhat Agree	Moderate Extent
5. Capacity to compete in other business	2.560	1.067	Disagree	Limited Extent
6. Number of business customers has increased	2.570	1.085	Disagree	Limited Extent
7. Had improvements in the business	2.600	1.101	Disagree	Limited Extent
8. Expansion of business in different place	2.5600	0.0998	Disagree	Limited Extent
9. Investment of tools for business are added.	2.700	1.142	Somewhat Agree	Moderate Extent
10. Renovated structure of the business stall/ place.	2.690	1.212	Somewhat Agree	Moderate Extent
<b>Overall</b>	<b>2.65</b>	<b>1.024</b>	<b>Somewhat Agree</b>	<b>Moderate Extent</b>

(Respicio, et al., 2023).

Table 7 shows the respondents' perception of effectiveness in terms of business status. Weekly business income, increase in product volume and variety, knowledge of business finance, improvement in business management practices, investment in business tools, and renovation of business stalls or places were rated **somewhat agree**, indicating a **moderate extent**. On the other hand, capacity to compete with other businesses, increase in customers, business improvement, and expansion to other locations were rated **disagree**, interpreted as **limited extent**. The overall mean of 2.65 and standard deviation of 1.024 indicate that the effectiveness of microfinance products and services in improving business status was only **moderate**. This means that the institutions may have contributed to some aspects of business development, but their influence on broader business growth remained limited. This finding contradicts Shane et al. (2023), who found a stronger positive effect of microfinance institutions on members' business-related outcomes.

Is there a significant relationship between the level of satisfaction on microfinance institution products offered and effectiveness of the products and services?

**Table 8. Test of Relationship between the Level of Satisfaction on Microfinance Institution Products Offered and Effectiveness of the Products and Services.**

Variables	r-value	p-value
Level of Satisfaction of Microfinance Institution vs Effectiveness	-0.164 <sup>ns</sup>	0.107

**ns = not significant      \* = significant at 0.05**

Table 8 presents the test of the relationship between satisfaction with microfinance institution products offered and the effectiveness of the products and services. Using the Pearson Product-Moment Correlation Coefficient, the computed r-value was **-0.164** with a p-value of **0.107**, which is higher than the 0.05 level of significance. This indicates that the relationship between the two variables is **not statistically significant**, leading to the acceptance of the null hypothesis. Therefore, satisfaction with the products offered by microfinance institutions was not significantly associated with the perceived effectiveness of their products and services. This finding contradicts Shane et al. (2023), who reported a significant relationship between satisfaction and effectiveness and argued that improved loan application processes, loan features, and customer service can positively influence members' financial stability, personal well-being, and business growth.

## DISCUSSION

The findings of the study indicate that members of microfinance institutions in Dapitan City were generally very satisfied with the products and services offered, particularly in terms of loan application, loan features, customer service, and non-financial services. This suggests that the institutions were effective in addressing members' immediate expectations for accessibility, convenience, and service delivery. However, despite this high level of satisfaction, the effectiveness of microfinance products and services was perceived only to a moderate extent in terms of personal status and business status, and the correlation between satisfaction and overall effectiveness was not statistically significant. This non-significant relationship implies that satisfaction with microfinance services alone does not necessarily translate into measurable improvements in members' long-term business performance or broader living conditions.

A deeper analysis of this finding suggests that several external and contextual factors may explain why satisfied borrowers do not always achieve stronger business outcomes. Even when members are pleased with the loan process and customer support, their businesses may still be constrained by inflation, rising prices of goods, limited market demand, strong local competition, inadequate infrastructure, transportation difficulties, and restricted access to wider markets. In this sense, borrower satisfaction may reflect the quality of institutional service, while business status depends on a more complex set of economic and environmental conditions beyond the control of the microfinance institution. This helps explain why respondents could report being very satisfied with the products and services offered, yet only perceive moderate improvements in business expansion, customer growth, and competitiveness.

The present finding also calls for a broader engagement with the literature. While Respicio et al. provided an important basis for examining the link between microfinance services and members' development, other studies likewise suggest that the impact of microfinance is not always uniform across contexts. Some studies emphasize that access to credit may improve financial coping capacity without necessarily guaranteeing sustained entrepreneurial growth, especially when clients operate in vulnerable local economies or lack complementary support such as market linkage, business training, and infrastructure. Thus, the absence of a significant relationship in the present study does not mean that microfinance services are ineffective; rather, it indicates that their developmental outcomes may be mediated or weakened by external structural conditions. Overall, the findings highlight the need for microfinance institutions to go beyond client satisfaction and strengthen interventions that directly support business resilience, market access, and long-term socioeconomic improvement among members.

## CONCLUSION

The study concludes that members of microfinance institutions in Dapitan City were very satisfied with the products and services offered, particularly in terms of loan application, loan features, customer service, and non-financial services. However, the effectiveness of these products and services was perceived differently across dimensions, being only moderate in terms of personal status and business status, while greater in terms of financial status. Furthermore, the findings revealed no significant relationship between members' satisfaction with the products offered and the overall effectiveness of the products and services of microfinance institutions. Therefore, it can be concluded that although the institutions were successful in delivering satisfactory products and services, such satisfaction alone was not enough to ensure broader effectiveness in improving the members' personal, business, and financial conditions.

**Authors' contribution:** Conceptualization, research methodology, data gathering, and analysis are performed by the authors.

**Conflict of interest statement:** All authors declare no conflict of interest.

**Ethical review statement:** The research is submitted to the ethical review committee and approved for the conduct of the study. It does not involve human-sensitive issues.

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