

MABS-M
Microenterprise Access to Banking Services in Mindanao

Microenterprise Survey Report
Digos, Davao Del Sur

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Microenterprise Survey Report

DIGOS

1. INTRODUCTION

1.1_ Background

A survey of microenterprises in the municipality of Digos was carried out by the Microenterprise Access to Banking Services in Mindanao (MABS-M) on August 6-17, 1998 to generate more information about the size of the microenterprise sector in Digos, as well as the characteristics of these microenterprises and their needs and preferences for financial services.

Digos was chosen as one of the survey sites upon the recommendation of the Rural Bank of Digos, one of the project's four pilot participant banks. The bank is planning to expand its microfinance operations in Digos. The survey is intended to help the bank formulate effective microenterprise outreach strategies in this municipality.

1.2 Objective

The information gathered from the survey are intended to be used by the Rural Bank of Digos in designing microfinance products and in making the services of the bank more responsive to the needs of the municipality's microenterprise sector.

1.3 Survey Methodology

A multi-stage random sampling was used in the selection of the sample respondents. This involved the selection of the sample barangays within Digos (stage 1), the selection of the sample households within the sample barangay (stage 2), and the selection of the sample respondent within the sample household (stage 3).

Twenty sample barangays in Digos were selected using random sampling. Within each sample barangay, five (5) sample households with microenterprises were selected using cluster sampling. Within each sample household, the sample respondent was chosen using a probability respondent selection key if two or more household members were found to have their own, separate microenterprises. The survey sample, thus, consisted of 100 randomly selected microenterprise operators from the various barangays of Digos.

The survey was implemented by TRENDS-MBL, a private research organization with offices in Manila and Cebu, and with a pool of trained and experienced field interviewers based in Davao. The survey questionnaire used was formulated originally in English by the MABS-M technical staff and, later, translated into Cebuano by TRENDS-MBL. Before the start of the survey proper, the translated questionnaire was pre-tested to make sure that the messages were conveyed accurately. The processing of the survey data - consisting of editing, data encoding, and data tabulation, was

done by TRENDS-MBL,.Data analysis and interpretation were done by the MABS-M staff.

1.4 Sample Barangays

The 20 sample barangays covered in the survey are as follows:

- | | |
|---------------|------------------|
| 1. Igpit | 11. Tiguman |
| 2. San Roque | 12. Aplaya |
| 3. San Jose | 13. San Agustin |
| 4. San Miguel | 14. Cogon |
| 5. Zone III | 15. Sinawilan |
| 6. Zone I | 16. Kiagot |
| 7. Ruparan | 17. Dulangan |
| 8. Colorado | 18. Tres de Mayo |
| 9. Zone II | 19. Dawis |
| 10. Matti | 20. Mahayahay |

1.5 Data Projection

In order to estimate the total population of microenterprises in Digos, a projection factor was used to magnify the survey data. The projection factor was computed using the formula:

$$\text{Projection factor} = \frac{\text{\# of Households}}{\text{\# of Interviews}}$$

A different projection factor was used for urban barangays and another for rural barangays to make the estimates more representative of the municipality. Using data from the 1990 NSO Census of Population, the projection factors for Digos were computed as follows:

<u>Item</u>	<u>Urban</u>	<u>Rural</u>
Total Number of Households [N]	9241	9152
Number of Interviews [n]	57	200
Projection Factor [N]/[n]	162.12	45.76

2. PROFILE OF MICROENTERPRISE OPERATORS

2.1 Density of Microenterprises

A total of 7,485 households, or 41 percent of the total number of households in Digos, are engaged in various types of microenterprises.

Table 1. Distribution of Households With and Without Microenterprises

Item	Number	Per cent
WITH a business or income generating activity	7,485	40.7
WITHOUT a business or income generating activity	10,908	59.3
TOTAL	18,393	100.0

2.2 Personal Characteristics

Most (78%) of the microentrepreneurs in Digos are women, over 35 years of age (74%), married (68%), and speak Cebuano as their first language (94%).

Table 2. Number of Households With Microenterprises, By Personal Characteristics of the Microentrepreneurs

Characteristics	No.	%
Gender		
Women	5,822	77.8
Men	1,663	22.2
TOTAL	7,485	100.0
Age		
18-34	1,015	13.6
35-54	4,171	55.7
55 over	1,219	16.2
TOTAL	7,485	100.0
Civil Status		
Married	5,111	68.3
Widowed	528	7.1
Separated	208	2.8
Single	1,247	16.7
Living-in, but not married	391	5.2
TOTAL	7,485	100.0
Language Spoken at Home		
Cebuano	7,069	94.4

Characteristics	No.	%
Tagalog	370	4.9
Ilonggo	46	0.6
TOTAL	7,485	100.0

2.3 Educational Attainment

The table shows that there are more households with microenterprises that have reached or completed a higher level education compared to the households without microenterprise. A little over forty per cent of the households with microenterprises have reached or completed highschool and a little over a fourth (26.2%) have reached or completed college or post-college. On one hand, only a little less than a third (31.8%) of the households without MEs have reached or completed highschool and only almost a fifth have reached or completed college.

Table 3. Distribution of Households, by Level of Education Attained by the Respondents

Level of Education	With MEs		Without MEs	
	No.	%	No.	%
No Formal Education	370	4.9	92	0.8
Elementary level/graduate	1514	20.3	4603	42.2
Highschool level/graduate	3132	41.8	3510	31.8
Vocational courses	507	6.8	740	6.4
College level/graduate	1963	26.2	2008	18.4
TOTAL	7485	100.0	10908	100.0

2.4 Household Size

Households with microenterprises appear to have smaller household size compared to those without microenterprises. Among microenterprises, nearly a third (30%) have 1-3 family members and almost half (47.1%) have 4-6 family members. In contrast, among households without microenterprise, a little more than half (52.3%) have 4-6 family members.

Table 4. Number of Households, By Size of Resident Family

No. of HH members	With MEs		Without MEs	
	Number	Percent	Number	Percent
1-3	3090	30.0	2690	24.7
4-6	3543	47.3	5702	52.3

No. of HH members	With MEs		Without MEs	
	Number	Percent	Number	Percent
7-9	761	10.1	2055	19.8
10-12	92	1.2	416	3.8
13-15	0	0.0	46	0.4
TOTAL	7485	100.0	10908	100.0
Average	4.1		5.0	

2.5 Length of Residency in Digos

Among households with microenterprises, a little less than half (45%) claim that they have been residing in the Digos for more than 30 years. Similarly, a greater proportion (39.5%) of the households without microenterprises have been residing in the municipality for the same number of years.

Table 5. Distribution of Households, by Length of Respondents' Residency in Digos

No. of Years	With MEs		Without MEs	
	No.	%	No.	%
Less than 5 years	549	7.0	1565	14.3
5-9	900	12.0	737	6.7
10-14	508	6.8	1518	14.0
15-19	392	5.2	462	4.2
20-24	1777	15.7	920	8.4
25-29	624	8.0	1360	12.4
30 above	3342	45.0	4355	39.5
TOTAL	7485	100.0	10908	100.0
Average	26.5		25.6	

2.6 Membership in Community Organizations

Almost half (48%) of the households with microenterprises are members of religious organizations. Similarly, about a half (49.8%) of the households without MEs belong to certain religious groups.

Table 6. Distribution of Households, by Membership of Respondents in Organizations

Type of Organization	With MEs		Without MEs	
	No.	%	No.	%

	With MEs		Without MEs	
	No.	%	No.	%
Religious	3564	47.6	5427	49.8
Civic	507	6.8	715	6.6
Trade Organization	46	0.6	0	0.0
Cooperative	1011	13.5	1381	12.7
Not Member in Any Organizations	3692	49.3	5252	48.1
TOTAL	7485	100.0	10908	100.0

2.7 Participation in *Paluwagan*

The table exhibits that a little less than a fifth (17.2%) of the households with MEs are members of some “paluwagan” groups, while only 6.3% of the households without MEs are paluwagan members. Most (83%) of the households engaged in microenterprise activities are not members of any “paluwagan.” The table shows that the same holds true for households without microenterprises although the proportion is bigger. Almost all (94%) of them state that they are not members of any “paluwagan” group.

Table 7. Distribution of Households, by Membership in Paluwagan

Frequency of Contributions	With MEs		Without MEs	
	No.	%	No.	%
Paluwagan member	1,288	17.2	690	6.4
-Weekly	852	11.4	553	5.1
-Monthly	299	4.0	137	1.3
-Yearly	137	1.8	0	0.0
Non-Member	6,196	82.8	10,218	93.7
TOTAL	7,485	100.0	10,908	100.0

2.8 Household Economic Condition

2.8.1 Home Ownership

House. Among households with microenterprises, three fourths of them own the house where they are residing. Similarly, among households without microenterprises, 71.2% own the house where they are presently living.

Table 8. Distribution of Households, by Type of House Occupancy Right

Occupancy Right	With MEs		Without MEs	
	No.	%	No.	%
Owned	5,614	75.0	7,769	71.2
Paying rent	532	7.1	1,318	12.1
Not owned, Nor paying rent	1,339	17.9	1,821	16.7
-Owned by Relatives	1,039	13.9	1,152	10.6
-Owned by Spouse's Employer	162	2.2	254	2.3
-Private	46	0.6	92	0.8
-Friends	92	1.2	324	3.08
TOTAL	7,485	100.0	10,908	100.0

Residential lot. The table shows that the proportion of households owning lots is slightly higher compared to the proportion of households without MEs. Among households with microenterprises, most (60%) claim that they own the lot where they are presently residing. Similarly, almost half (49.8%) of the households with microenterprises assert that they own the lot where they are presently residing.

Table 9. Distribution of Households, by Type of Lot Occupancy Right

Occupancy Right	With MEs		Without MEs	
	No.	%	No.	%
Owned	4,462	59.6	5,427	49.8
Paying rent	856	11.4	1,480	13.6
Not owned, nor paying rent	2,166	28.9	4,001	36.7
-Owned by Relatives	1,467	19.7	2,321	21.3
-Owned by spouse's employer	208	2.8	807	7.4
-Government	162	2.2	137	1.3
-Private	229	3.1	412	3.8
-Friends	92	1.2	324	3.0
TOTAL	7,485	100.0	10,908	100.0

2.8.2 Access to basic household facilities

A little over forty per cent among households with microenterprises have running water in their homes, even if almost all (98.2%) of them have toilets. Almost all (97.6%) of them have electric services.

Among households without microenterprise activities, about a third (31%) have running water in

their homes, despite the high percentage (95.4%) of households with toilets. Most (80%) of them have electricity at home.

Table 9. Number of Households, by Access to Basic Household Facilities

Household Facilities	With MEs		Without MEs	
	No.	%	No.	%
Running Water	3,002	40.1	3,376	30.9
Toilet	7,348	98.2	10,404	95.4
Electricity	7,302	97.6	8,707	79.8
Telephone	902	12.1	694	6.4
TOTAL	7,485	100.0	10,908	100.0

2.8.3 Ownership of Household Conveniences

A bulk (89.6%) of the households with microenterprises have radios; most (68.1%) have TV sets; and (70.8%) have refrigerators.

On the other hand, most (80.4%) of those households without microenterprises have radios; a little over half (53.9%) have TV sets; while a little more than a fourth (28.8%) have refrigerators.

In addition, there are more of the households with microenterprises that own motor vehicles, with 17% of them as registered owners. On one hand, only about a tenth (9.5%) of the households without MEs own motor vehicles.

Table 10. Number of Households, by Ownership of Household Appliances/Conveniences

Appliances	With MEs		Without MEs	
	No.	%	No.	%
Radio	6,703	89.6	8,770	80.4
Refrigerator	5,302	70.8	3,139	28.8
TV	5,094	68.1	5,879	53.9
LPG stove	2,008	26.8	1,409	12.9
Cable	486	6.5	324	3.0
Credit Card	0	0.0	324	3.0
Microwave Oven	208	2.8	0	0.0
4-wheeled motor vehicle	208	2.8	162	1.5
3- wheeled motor vehicle	482	6.4	290	2.7
2- wheeled motor vehicle	599	8.0	578	5.3

Appliances	With MEs		Without MEs	
	No.	%	No.	%
None	0	0.0	46	0.4
TOTAL	7,485	100.0	10,908	100.0

2.8.4 Household Income

The table shows that households with MEs have higher monthly income compared to the households without microenterprise. Most (61%) of the households with microenterprises have an average income of P3,000-P10,000 per month. The same trend holds for households without microenterprise, although the proportion (50.7%) is lower. Almost forty per cent of them earn an average of P3,000 below per month.

Table 11. Distribution of Households, by Monthly Household Income

Monthly Income	With MEs		Without MEs	
	No.	%	No.	%
3,000 below	1630	21.8	4176	38.3
3000- 10000	4537	60.7	5531	50.7
10000 above	1064	14.3	670	6.1
No data	254	3.4	532	4.9
TOTAL	7485	100.0	10908	100.0

2.85 Household Economic Classification

The table shows that more households with microenterprises are relatively better-off than the proportion of households without microenterprise. Among households with microenterprises, most (80.1%) identified themselves as belonging to the D-economic class. A little over half (52.3%) of them belong to the D1 classification or are lot owners. The table shows that the same trend holds for households without microenterprise. However, a relatively lesser proportion (64%) of them perceive themselves as belonging to the D-economic class and a relatively bigger proportion (36.2%) identified themselves as belonging to the E-economic class. Among those who fall into the D-classification, a little over a third (36.5%) belong to the D1 classification or are lot owners.

Table 12. Distribution of Households, by Economic Class of Household

Economic Class	With MEs		Without MEs	
	No.	%	No.	%

Class D	5992	80.1	6957	63.8
-D1	3913	52.3	3984	36.5
-D2	2079	27.8	2973	27.3
Class E	1493	19.9	3951	36.2
TOTAL	7485	100.0	10908	100.0

2.8.6 Own assessment of present living conditions

Assessment of present living conditions. The table shows that households with microenterprises are slightly better-off than households not engaged in microenterprises. Most (67%) of the households engaged in microenterprise pursuits perceive themselves as poor, while a higher proportion (72.5%) of the households with no microenterprise assess themselves as poor.

Table 13. Distribution of Households, by Respondents' Assessment of Their Present Economic Condition

Economic Condition	With MEs		Without MEs	
	No.	%	No.	%
Not poor	46	0.6	462	4.2
Borderline	2424	32.4	2536	23.3
Poor	5015	67.0	7910	72.5
TOTAL	7485	100.0	10908	100.0

Amount of Income of Non-Poor Households. The average amount that households with microenterprises require in order not to be called poor is higher than households without MEs. However, there is no strong indication of higher aspiration or income requirement among households with MEs. A little over a third (36.3%) of them perceive that they need at least P5,000-P9,999 per month in order not to be called poor. The same holds true for households without microenterprise activities. Almost half (48.1%) claim that they need the same amount in order not to be labeled as poor.

Table 14. Distribution of Households, By Perceived Size of Monthly Income In Order Not to Be Called Poor

Monthly HH Income	HHs With MEs		HHs Without MEs	
	No.	%	No.	%
P500-4500	2325	31.0	2891	26.5
5000- 9999	2719	36.3	5252	48.1

10000 over	2141	28.6	2395	22.0
Don't know	299	4.0	370	3.4
TOTAL	7485	100.0	10908	100.0
Average	P 7,600		P 6,374	

2.9 Experience with Banks

2.9.1 Proportion of Household Population That Have Used the Services of Banks

The table shows that there are more households with microenterprises that have used the services of the bank compared to households without any microenterprise activities. Most (90.8%) of the households with microenterprises have availed themselves of banking services. The same trend holds for households without microenterprises, although the proportion (68.4%) is lesser.

Table 15. Number of Households That Have Tried Using the Services of Banks

Experience	With MEs		Without MEs	
	No.	%	No.	%
Have used services of a bank	6795	90.8	7460	68.4
Have Not used services of a bank	690	9.2	3448	31.6
TOTAL	7485	100.0	10908	100.0

2.9.2 Types of Banking Services Used

The table shows that there seems to be no difference in the deposit utilization of households with MEs and without MEs. Among microenterprises that have ever used the services of a bank, most (85.1%) use banks to deposit savings. Almost the same percentage (82.4%) of the households without microenterprises that have used the services of bank utilize banking services for the same purpose.

On one hand, the table also shows that households with MEs appear to use banks more for payment of bills or for loan services than households without microenterprise. The ratio of deposit-borrowing ratio for households with microenterprises is 5:1, as opposed to the 7.6:1 ratio for households not engaged in any microenterprise pursuit.

Table 16. Distribution of Households that Have Entered the Premises of Banks, By Type of Banking Services Used

Services Used	With MEs		Without MEs	
	No.	%	No.	%

Deposit savings	5784	85.1	6150	82.4
Other services (e.g., pay electric bills)	3414	50.2	2674	35.8
For a loan	1152	17.0	807	10.8
TOTAL	6795	100.0	7460	100.0

2.9.3 Proportion of household population that have tried applying for loans in banks

The table shows that there is a greater proportion of households with microenterprises that have applied for loans in banks compared to the proportion of households without microenterprise. A little more than a fifth (20.9%) of the households with microenterprise have applied for a loan. On one hand, only about a tenth (10.8%) of the households without MEs have applied for a loan.

Table 17. Distribution of Household that Have/Have Not Tried Applying for a Loan in Banks

	With MEs		Without MEs	
	No.	%	No.	%
Has applied for a loan	1568	20.9	1177	10.8
Has not applied for a loan	5917	79.1	9731	89.2
TOTAL	7485	100.0	10908	100.0

3. CHARACTERISTICS OF MICROENTERPRISES

3.1 Number of workers employed

Most (58%) of the microenterprises in Digos have two full-time workers, where in one of whom is the owner-operator him/herself. Those with one or two full-time workers actually constitute about two-thirds (67%) of the total number. The average number of workers of the microenterprises in Digos is between 2-3 workers.

Table 18. Distribution of Microenterprises, by Number of Full Time Workers (Including Owner-Operator)

Number of Workers	No.	%
1	162	8.7
2	1085	58.0
3	254	13.6
4	324	17.3
5-9	46	2.4
TOTAL	1871	100.0
Average	2.5	

As indicated in the table below, most of the microenterprises in Digos are family-run enterprises. Including the owner-operator, another member of the family helps the former attend to the microenterprise without pay. Most (59%) of these enterprises are attended to by two family members who do not get regular wages from the business. About 20 percent of the total number, however, employ paid workers.

Table 19. Distribution of Microenterprises, by Number of Unpaid Family Workers

Number of Unpaid Family Workers	No.	%
1	229	12.2
2	1110	59.3
3	162	8.7
None	370	19.8
TOTAL	1871	100.0
Average	2.0	

3.2 Number of Years in Operation

The average age of microenterprises in Digos is 4.5 years. However, the proportion of microenterprises with ages below 3 years is more than half (53%) of the total, indicating a relatively young microenterprise population.

Table 20. Distribution of Microenterprises, by Number of Years in Operation

No. of years	No.	%
Less than 1 year	1102	14.7
1-2	2882	38.5
3-4	1106	14.7
5-9	736	9.8
10-14	462	6.2
15-19	46	0.6
20 years & above	462	6.2
No data	690	9.2
TOTAL	7,485	100.0
Average	4.8	

3.3 Type of Ownership

Most (89%) of the microenterprises in Digos are single proprietorships. The rest are businesses put up by the respondents in partnership with some of their close friends or relatives.

Table 21. Distribution of Microenterprises, by Type of Business Ownership

Type of Ownership	No.	%
One person only	6,629	88.6
2-4 partners	856	11.4
TOTAL	7,485	100.0

3.4 Types of Microenterprises

3.4.1 By Major Sectors

Most (78%) of the microenterprises in Digos are wholesale and retail trade-related activities, with retail trade microenterprises accounting for 73 percent of the total. Processing/

manufacturing activities comprise the second biggest group accounting for fifteen percent of the total. Services comprise the smallest microenterprise sector accounting for only seven percent of the total.

Table 22. Distribution of Microenterprises, by Type of Business Enterprise

Type of Business	No.	%
Trade	5,822	77.8
-Retail	5,452	72.8
-Wholesale	370	4.9
Processing/Manufacturing	1,131	15.1
Services	532	7.1
TOTAL	7,485	100.0

3.4.5 Reasons for Choosing Present Business

The most common reasons given by the microenterprise operators for choosing their present businesses are that: the business is simple or easy (e.g. vending of highly saleable products); it can be operated near or within the house so that the needs of the family can still be taken care of; the opportunity to earn regular daily income to augment the family income; other non-cash benefits that the family would be able to derive from the business (e.g. goods consumed from the stocks of the sari-sari store); and had previous knowledge or training in the business.

Table 23. Number of Microentrepreneurs, by Reasons for Choosing Their Present Business

Reasons	No.	% to Total
High demand for product/easy to sell	2145	28.6
Does not need to work outside the house/can still take care of family even while working/flexible working hours/I am my own boss	1955	26.1
Income is generated daily/stable source of income	1585	21.2
We could get things we need from store/ We could use the left over items for meals/Generate income for payment of household utility bills	1568	21.0
Had previous knowledge of business/had worked before in a similar business/ acquired skills/Do not know other lines of business	1339	17.9
Only requires small capital	919	12.3
Profitable/lucrative	782	10.4
Proximity to source of raw material	208	2.8
Encouraged by friends/relatives engaged in same business	208	2.8

Reasons	No.	% to Total
Proximity to market/clients	208	2.8
No competition	46	0.6
Other reasons	183	2.4

3.5 Location of Microenterprises

Most (82%) of the microenterprises in Digos are home-based. A few (8%) are located in fixed stalls within public places such as near public transport terminals, schools and offices. Ambulant vendors constitute the third biggest group comprising about 6 percent of the total. Public market vendors only constitute about 3 percent of the total, while other shops within the poblacion comprise less than one percent of the total..

Table 24. Distribution of Microenterprises, by Location of Business

Location	No.	%
Home-based (shop attached to or near home/activities inside the house)	6,150	82.2
Near school/offices/bus/ jeepney stop/stations, etc.	574	7.7
No fixed shop (ambulant vendor/goes from place to sell wares)	462	6.2
In public market	208	2.8
Shop in main town center or poblacion	46	0.6
In another town	46	0.6
TOTAL	7,485	100.0

3.6 Ownership of Business Space

Most (81%) of the microenterprise operators own the space occupied by their businesses. Only a few either pay full or partial rent for their space, or use the space under other rent-free arrangements.

Table 25. Number of ME Operators , By Type of Business Space Tenure

Type of Tenure	No.	%
Owner	5,710	81.3
Rented	507	7.2
Partly owned/partly rented	507	7.2
Neither own nor rented	299	4.3
TOTAL	7,023	100.0

3.7 Business Registration

A majority (53 percent) of the microenterprises in Digos are not registered. Less than one-third (30%) are registered with the mayor's office while only about one-fifth (21%) are registered with the barangay council. Almost all, except for about 2-3 percent of the total, are not registered with either the Bureau of Internal Revenue (BIR) for taxation purposes, or the Department of Trade and Industry (DTI).

Table 26. Distribution of Microenterprises, by Type of Business Registrations

Type of Registration	No.	%
Not Registered	3938	52.6
Mayor's Office	2262	30.2
Barangay Council	1564	20.9
BIR	208	2.8
DTI	162	2.2
LTO	46	0.6

3.8 Record-keeping

Most (75%) of the microenterprises do not have financial records. Only a quarter (25%) keep records, at least, of their expenditures.

Table 27. Number of Microenterprise Operators Who Record/Do not Record Their Business Expenses

Item	No.	%
Recorded	1892	25.3
Not recorded	5593	74.7
TOTAL	7485	100.0

3.9 Capitalization

3.9.1 Size of Initial Capital

The average initial capitalization of microenterprises in Digos is about P4,000. More than one-fourth (27%), however, were capitalized with less than P500. Most (81%) of the microenterprise operators, however, started their businesses with less than P5,000 in initial capital.

Table 28. Distribution of Microenterprises, by Amount of Initial Capitalization

Amount	No.	%
Less than P500	2,060	27.4
P500- 999	1,451	19.4
P1,000-1,999	1,011	13.5
P2,000-4,999	1,589	21.2
P5,000-9,999	391	5.2
P10,000-19,999	740	9.9
P20,000 & above	254	3.4
TOTAL	7,485	100.0
Average	3,992.2	

3.9.2 Source of Initial Capital

Most (81%) of the microenterprise operators used their own savings in putting up their respective businesses. The rest either borrowed funds (11%) or asked other members of their family members or their friends to invest in their business (7%).

Table 29. Distribution of Microenterprises, by Source of Initial Capital

Source	No.	%
Own savings	6,125	81.8
Loans	852	11.4
Contribution from family members/friends	553	7.4
TOTAL	7,485	100.0

3.9.3 Value of Equipment and Fixed Assets

The average acquisition cost of equipment and other fixed assets used by microenterprises in Digos is almost P6,000 . Nearly half (48%) of the total number, however, spent less than P1,000 for their equipment/fixed assets. Businesses that spent less that P5,000 for these assets accounted for about 70 percent of the total.

Table 30. Distribution of Microenterprises, by Estimated Value of Equipment and Other Fixed Assets Used in Business (At Time of Purchase)

Amount	No.	%
No fixed assets	1,202	16.1

Amount	No.	%
Less than P500	1,700	22.6
P500- 999	690	9.2
P1,000-1,999	690	9.2
P2,000-2,999	553	7.4
P3,000-4,999	416	5.6
P5,000-9,999	919	12.3
P10,000-19,999	969	12.9
P20,000 & above	345	4.6
TOTAL	7,485	100.0
Average	5,718.0	

At current prices, the average cost of equipment and other fixed assets used by microenterprises would be close to P8,000, or an increase of about 36 percent over their average original acquisition cost. About 40 percent of the total number have fixed assets values of less than P1,000 and about 60 percent have fixed assets with present values of less than P5,000.

Table 31. Distribution of Microenterprises, by Estimated Value of Equipment and Other Fixed Assets sed in Business (At Current Prices)

Amount	No.	%
No fixed assets	1,202	16.1
Less than P500	1,012	13.6
P500- 999	736	9.8
P1,000-1,999	690	9.2
P2,000-2,999	761	10.2
P3,000-4,999	137	1.8
P5,000-9,999	1,243	16.6
P10,000-19,999	690	9.2
P20,000 & above	1,060	14.2
TOTAL	7,485	100.0
Average	7,783.5	

3.9.4 Working capital budget

A majority (54%) of the microenterprise operators regularly set aside an amount for use in

acquiring new stocks (51%) and/or for the repair and maintenance of business equipment (6%).

Table 32. Number of Microenterprise Operators Who Regularly/Do Not Regularly Set Aside a Budget for Working Capital

	No.	%
With a regular budget	4,033	53.9
-for buying new stocks	3,826	51.1
-for repair/maintenance of equipment	416	5.6
Without a regular budget	3,452	46.1
TOTAL	7,485	100.0

3.9.6 Amount of working capital budget

The average amount kept by microenterprise operators for their working capital is close to P14,000. Almost one-fourth (24 percent), however, have working capital budgets of less than P1,000 while close to two-thirds (63 percent) have budgets of less than P5,000.

Table 33. Distribution of Microenterprises, by Amount of Working Capital Budget Kept

Amount	No.	%
Less than P500	392	9.7
P500- 999	574	14.2
P1,000-1,999	183	4.5
P2,000-2,999	624	15.5
P3,000-4,999	761	18.9
P5,000-9,999	345	8.6
P10,000-19,999	856	21.2
P20,000 - 49,999	162	4.0
P50,000 & above	0	0.0
TOTAL	4,033	100.0
Average	13,834.6	

3.10 Supply of Goods/Raw Materials

3.10.1 Source of Goods/Raw Materials

Two-thirds (67%) of the microenterprises procure their merchandise or raw materials from wholesaler-retailers. The rest either source their stocks from other retailers (18%) or from wholesalers (15%).

Table 34. Distribution of Microenterprises, by Main Source of Goods/Raw Materials

Item	No.	%
Wholesaler-retailers	5,015	67.0
Other retailers	1,318	17.6
Wholesalers	1,152	15.4
TOTAL	10,704	100.0

3.10.2 Location of Main Suppliers

Most (83%) of the microenterprises procure their stocks from establishments within Digos. Some (12 %) source their stocks from suppliers within their barangays while only a few (5%) get their stocks from suppliers outside Digos.

Table 35. Distribution of Microenterprises, by Location of Main Source of Stocks or Raw Materials

Location	No.	%
Within barangay	923	12.3
Within city/municipality	6,192	82.7
Outside city/municipality	370	4.9
TOTAL	7,485	100.0

3.10.3 Procurement Practices

Almost all (98%) of the microenterprises buy their stocks or raw materials from their suppliers on cash basis. A few acquire their stocks or raw materials primarily through credit (8%) or consignment (1 %).

Table 36. Distribution of Microenterprises, by Mode of Procurement of Stocks/Raw Materials

Mode of Purchase	No.	%
Cash	7,323	97.8
Credit	624	8.3
Consignment basis	92	1.2
TOTAL	7,485	100.0

3.10.4 Price Discounts Received from Suppliers

Most (89%) of the microenterprises do not get any discount from their suppliers when buying stocks or raw materials on cash basis. A few, however, are given price discounts of up to 10 percent.

Table 37. Distribution of Microenterprises, by Size of Price Discounts Received from Suppliers

Price discounts	No.	%
None	6,537	89.3
5% or less	254	3.5
6-10%	162	2.2
More than 10%	46	0.6
P5.00 every kilo of meat and vegetables/fish	324	4.4
TOTAL	7,323	100.0

3.10.5 Price mark-ups when buying on credit

Most (75%) of the microenterprises do not pay additional charges when buying on credit from their suppliers. About a fourth(26%), however, claim that their suppliers charge them an extra 5% when they buy their stocks or raw materials on credit.

Table 38. Number of Microenterprise Operators, Who Pay/Do not Pay Additional Charges When Buying Stocks/Raw Materials on Credit

Supplier's Condition When Buying on Credit	No.	%
No additional charges	462	74.0
Price higher by 5%	162	26.0
TOTAL	624	100.0

3.10.6 Term of Supplier's Credit

Two-thirds (67%) of the microenterprises buying their stocks or raw materials on credit, are required to pay their accounts within seven days. One-third of the total number, however, are given a longer term of 30 days.

Table 39. Distribution of Microenterprises, by Term of Suppliers' Credit

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Number of Days	No.	%
1-7 days	416	67.0
30 days	208	33.3
TOTAL	624	100.0

3.10.7 Frequency of Merchandise Purchases

Most (89%) of the microenterprises buy their stocks or raw materials requirement regularly at least once a week. About half actually buy their merchandise regularly either on a daily basis or on several occasions during a week.

Table 40. Distribution of Microenterprises, by Frequency of Merchandise/Raw Materials Purchases

Frequency of Purchase	No.	%
Daily	1987	26.6
Two to five times a week	2212	29.6
Once a week	2437	32.6
Two to three times a month	1405	18.8
Once a month	528	7.1
When needed	92	1.2
TOTAL	7,485	100.0

3.10.8 Average Amount Spent for Merchandise/Raw Materials Purchases

Most (79%) usually spend less than P1000 when buying their commodity requirement. Most (60%) actually spend less than P500 in each purchase.

Table 41. Distribution of Microenterprises, by Average Amount of Merchandise/Raw Materials Purchases

Average amount spent	No.	%
Less than P500	4,508	60.1
P500-999	1,386	18.5
P1,000-1,999	645	8.6
P2,000-4,999	254	3.4
P5,000-6,999	324	4.3
P7,000 & above	370	4.9
TOTAL	7,485	100.0

3.11 Sales

3.11.1 Average Sales/Income

A little over a third (35.2%) of the microenterprises claim that their average monthly income is P7,000 or more.

Table 42. Distribution of Microenterprises, by Size of Average Monthly Income

Sales/Income	No.	%
Less than P1,000	967	12.8
P1,000-1,999	2652	11.3
P2,000-2,999	1352	18.1
P3,000-4,999	0	0.0
P5,000-5,999	299	4.0
P6000-6,999	1385	18.5
P7,000 & above	2,632	35.2
TOTAL	7,485	100.0
Average	13,713.9	

3.11.2 Cash held at the end of a regular day

At the end of a regular day, almost half (48.3%) said that they have less than P100 upon deduction of all the day's business expenses.

Table 43. Distribution of Microenterprises, by Amount of Cash on Hand at the End of a Regular Day

Amount	No.	%
Less than P100	3609	48.3
P100-299	2445	32.6
P300-499	740	9.9
P500-999	299	4.0
P1,000 & above	346	4.6
No data	46	0.6
TOTAL	7,485	100.0
Average	2,621.0	

3.11.5 Current vs. previous year's sales

Compared with the sales between January-July last year, sales of the same period this year has decreased for almost a third (32.6%) of the microenterprises. On the other hand, about 36% claimed that they do not have a reference for sales comparison since they started their business just recently.

Table 44. Comparative Sales of Microenterprises, January-July 1998 vs. January-July 1997

	No.	%
Increased	532	7.1
The same	1846	24.7
Decreases	2441	32.6
Just started	2666	35.6
TOTAL	7485	100.0

3.12 Selling practices

3.12.1 Average Price Mark-Up

Among microenterprises engaged in retail trade, about 70% have average price mark-up greater by 10%.

Table 45. Average Price Mark-Up of Retail Trade Microenterprises

Price mark-up (In %)	No.	%
Less than 5%	1,314	22.6
5-9%	391	6.7
10%	1,123	19.3
11-14%	183	3.1
15%	761	13.1
16-19%	162	2.8
20%	1,173	20.1
25%	92	1.6
26-30%	0	0.0
More than 30%	624	10.7
TOTAL	5,822	100.0
Average	13.9	

3.12.2 Average Profit Margin

Among microenterprises classified under the manufacturing sector, about two-thirds (67%) have profit margin higher than 10%.

Table 46. Average Profit Margin of Manufacturing-Related Enterprises

Average profit margin	No.	%
Less than 5%	46	4.0
5%	162	14.3
10%	162	14.3
15%	324	28.7
25%	46	4.0
30%	46	4.0
More than 30%	345	30.5
TOTAL	1,131	100.0
Average	24.0	

3.12.3 Credit sales

Most (72.2%) of the microenterprises have sales on credit, while the rest only offer products or services payable in cash.

Table 47. Number of ME Operators With and Without Credit Sales

	No.	%
With credit sales	5,776	72.2
Selling in cash only	1,709	22.8
TOTAL	7,485	100.0

3.12.4 Extent of credit sales

Among those who sell on credit, most (57%) have credit sales that is 20% and below of their total sales. In particular, about a fifth claim that the proportion of their credit sales to total sales is negligible

Table 48. Distribution of Microenterprises Selling on Credit, by Proportion of Credit Sales

% to Total Sales	No.	%
Negligible	1173	20.3
less than 10%	832	14.4
10-20%	1310	22.7
21-30%	898	15.6
31-40%	437	7.6

41-50%	782	13.5
over 50%	345	6.0
TOTAL	5,776	100.0

3.12.5 Term of Accounts Receivables

Further, a little over a fourth (27.9%) of the microenterprises offer credit payable in 15 days to clients.

Table 49. Average Number of Days When Products Sold on Credit are Paid

Number of days	No.	%
1-6 days	1,177	20.4
7 days	1,422	24.6
8-14 days	92	1.6
15 days	1,613	27.9
16-29 days	208	3.6
30 days	965	16.7
31-59 days	137	2.4
60 days	162	2.8
TOTAL	5,776	100.0
Average	14.7	

3.13 Problems met by microenterprises

The three most common problems faced by microenterprises in Digos are bad debts or overdue receivables (47%), inadequacy of capital (33%), and limited markets (14%). Only about fourteen percent reported that they have not encountered any problem in running their respective businesses, so far.

It may be inferred that the problem on financing or inadequacy of capital is related to the bad debts or overdue receivables. The latter reduces the amount of capital available for business and this increases the pressure on microenterprise operators to borrow funds to maintain their current size of operations.

The microenterprises' cash flow problem, arising from uncollected accounts receivables, is particularly burdensome when the stocks or raw materials need to be purchased in cash. Previous tables show the microenterprises in Digos are particularly vulnerable to this type of problem. In previous tables, it is shown that almost all (97%) of the microenterprises buy their stocks in cash, but about 80 percent sell part of their merchandise on credit.

Table 50. Problems Regularly Encountered by Microenterprise Operators in Their Business

Problems	No.	% to Total
Bad debts/overdue receivables	3,540	47.2
Financing/inadequacy of capital	2441	32.6
Limited market/low demand	1,015	13.6
High prices of stocks/raw materials	461	6.1
Difficult customers	208	2.8
Poor quality of stocks/supplies	184	2.4
No delivery vehicle	162	2.2
Threat from competition	137	1.8
Money used for personal needs	138	1.8
Bad weather/low sales on rainy days	92	1.2
Difficult access to raw materials	46	0.6
Not good business location	46	0.6
Not enough employees	46	0.6
Other problems ¹	508	6.8
None	1039	13.9

¹ Include thieves, broken bottles, out-of-order machines, delays in delivery of stocks/supplies, frequent brown-outs, lack of equipment,

Summary:

Among microenterprises, most (58%) have two full-time workers and almost the same percentage (59%) have two unpaid family workers. In terms of length of operation, almost forty per cent have been in operation for 1-2 years.

A bulk (89%) are organized as single proprietorship. Most (78%) are engaged in trade; of whom, 73% are into retail. A little over a third (37.5%) of those into retail are “sari-sari” store operators. Among microenterprises engaged in processing, almost half (47%) are into cooked food processing. As for the microenterprises that render services, most (61%) are into clothing services. Among all the microenterprises, a little over a fourth (28.6%) choose their business due to the high demand for their products. Most (82%) have home-based businesses. Of the total number of micro businesses that have fixed shops, most (81.3%) own their present business space. Majority (52.6%) are not registered with any government agency. Notably, three-fourth do not have financial records.

In terms of business capitalization, a little more than a fourth (27.4%) started with less than P500 to put up business. Most (82%) generated initial capital from own savings. Further, most (60%) claim that their total business-related assets are worth less than P5,000. A little over half (54%) set aside a budget regularly; of whom, less than close to two thirds have budgets of less than P5,000.

In terms of the supply of goods or raw materials, two thirds (67%) of the microenterprises procure their merchandise from wholesalers/retailers. Most (83%) get their stocks from sources outside the municipality. Almost all (98%) buy stocks in cash; of whom, almost three fourth (74%) do not get discounts. Most (67%) of those who pay in cash pay within 1-7 days. Most (89%) buy their stocks or raw material requirement at least once a week. Also, most (60.1%) spend an average of less than P500 in buying stocks.

About a third (35.2%) of the microenterprises have a monthly average sales income of P7,000 or more. Almost half (48.3%) have at least P100 cash on hand at the end of a regular day. Among those who have been in business for more than a year, almost a third (32.6%) experienced decrease in income. About a fifth (20.1%) sell products with a 20% mark-up. Among manufacturing-related microenterprises, almost a third (30.1%) have an average profit margin of 30%. Most (72.2%) of the microenterprises have sales on credit; of whom, a little over a fifth (22.7%) have 10-20% credit sales to regular sales. A little more than a fourth (28%) get repaid for credit sales after 15 days. Almost half (47%) consider bad debts as their most pressing problem.

4. BORROWING PRACTICES

4.1 Proportion of Borrowing ME Operators

More than a third (37%) of the microenterprises borrowed loans of at least P1,000 during the last 12 months.

Table 51. Number of ME Operators With and Without Loans of at least P1,000 in the last 12 months

Item	No.	%
With a loan of at least P1000	2786	37.2
Without a loan of at least P1000	4699	62.8
TOTAL	7485	100.0

4.2 Frequency of Borrowing

Of those who availed of loans of P1,000 or more in the last 12 months, a third (33%) claimed that they only borrowed once. Most (57 percent) borrowed 2-5 times in the last twelve months, while almost a tenth (9%) borrowed in more than five occasions during the same period.

Table 52. Frequency of Borrowing of Microenterprise Operators in the Past Twelve Months

Frequency	No.	%
Once	919	33.0
2 times	482	17.3
3 times	624	22.4
4 times	208	7.5
5 times	299	10.7
More than 5 times	254	9.1
TOTAL	2786	100.0

4.3 Major Sources of Loans

Lending investors provided the loans to the most number of microenterprises in the last twelve months (31%), followed by informal moneylenders (26%), and by the microentrepreneurs' acquaintances (21%).

Among institutional lenders, cooperatives appear to have a wider outreach than banks in Digos having lent to about ten percent of the total microenterprises with loans of at least P1,000 in the last 12 months. In contrast, banks only lent to about five percent of the total number.

Among banks, rural banks had more number of microenterprise loan clients than commercial banks. Among rural banks, Rural Bank of Digos and the Cooperative Bank of Digos appear to be the more active lenders to microenterprises.

Table 53. Major Creditors of Microenterprise Operators in the Last Twelve Months

Credit Sources	No.	%
Lending Investors	877	31.5
Informal moneylenders (5-6)	736	26.4
Neighbors/Friends/Relatives	599	21.4
Cooperatives/credit unions	299	10.7
Neighborhood savings/credit groups	137	4.9
Banks	138	4.9
-Commercial Banks	46	1.6
-Rural Banks	92	3.3
*RB Digos	46	1.6
*Digos Cooperative Bank	46	1.6
NGO/Foundation	46	1.6
Pawnshops	46	1.6

4.4 Amount of Biggest Loan

Most (90%) of the microenterprises had loans in the last 12 months of sizes P10,000 and below. Loans of P5,000 and below account for about 72 percent, while microenterprises which borrowed at most P1,000 constitute almost one-fourth of the total number (19%).

Table 54. Amount of Biggest Loan Borrowed by Microenterprise Operators in the Last Twelve Months

Loan Amount	No.	%
P1000 and below	528	19.0
P1001-5000	1476	53.0
P5001-10000	507	18.2
P10001-20000	137	4.9
P20001-30000	46	1.6
P30001-50000	46	1.6

over P50000	46	1.6
TOTAL	2786	100.0

4.5 Amount of most recent loan

There appears to be a slight decrease in the amounts borrowed by microenterprises if the sizes of their most recent loans are compared with the sizes of their biggest loans in the last 12 months. Although, the proportion of microenterprises that borrowed amounts of P10,000 and below and P5,000 and below remained unchanged (92% and 72%, respectively), the proportion with loans of P1,000 and below slightly increased from 19 percent to 22 percent.

Table 55. Amount of Most Recent Loans of Microenterprise Operators

Loan Amount	No.	%
P1000 and below	620	22.2
1001-5000	1385	49.7
P5001-10000	507	18.2
P10001-20000	183	6.6
P20001-30000	0	0.0
P30001-50000	46	1.6
over P50000	46	1.6
TOTAL	2786	100.0

4.6 Purpose of Most Recent Loan

Most (78%) of the microenterprise operators availed of loans to augment their working capital. Others borrowed for purposes not directly related to their present businesses. Other than working capital, the more common applications of loans were for household consumption expenditures (13%), children's education (11%), farm and backyard production projects (10%), and payment of old debts (9%).

Table 56. Purpose of Most Recent Loans Availed Of by Microenterprise Operators

Loan Purpose	No.	%
Additional working capital	2171	77.9
Household consumption expenditures	358	12.8
Children's education	299	10.7
Farm production/bought pig	275	9.8
Paid old debts	246	8.8

Loan Purpose	No.	%
Medical/hospital expenses	137	4.9
House repair	92	3.3
Spent for family vacation	46	1.6
Payment for teacher's board exam fee	46	1.6
Expenses in applying for a job abroad	46	1.6
Payment for residential lot	46	1.6

4.7 Term of Loan

A majority (52 %) of the microenterprise operators borrowed loans that mature within 60 days. Close to a third (30%), however, had loans that matured within six months to a year.

Table 47. Term of Loans Availed Of in the Last Twelve Months

Number of Days	No.	%
30	183	6.6
45	46	1.6
60	1455	52.2
90	92	3.3
120	183	6.6
180	254	9.1
>180-300	300	10.6
360	229	8.2
No fixed term	46	1.6

4.8 Mode of Loan Repayment

A majority (54%) of the loans availed of by the microenterprise operators had to be amortized on a daily basis. Almost a fifth (19%) had monthly loan amortization schedules, while about 16% had less frequent loan amortization payments ranging from once every quarter to one lump sum payment after one year.

Table 58. Mode of Repayment of Loans Availed Of by Microenterprise Operators in the Last Twelve Months

Schedule of Amortization Payments	No.	%
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Schedule of Amortization Payments	No.	%
Daily	1501	53.9
Weekly	137	4.9
Monthly	528	19.0
Every 4 months	92	3.3
When able (within term)	275	9.9
When able (without term)	46	1.6
One year (lump sum)	46	1.6

4.9 Interest Rate

More than a third (35%) of the microenterprise operators had loans with an interest rate of ten per cent a month. Most of the remaining microenterprise operators borrowed at the rates of 3%, 5%, 8% and 20% per month.

Table 59. Interest Rates of Loans Availed of by Microenterprises

Interest Rate Per Month	No.	%
Less than 3%	142	5.1
3%	299	10.7
4%	46	1.6
5%	416	14.9
6%	46	1.6
7.5 %	46	1.6
8%	254	9.1
10%	969	34.8
15%	46	1.6
16%	46	1.6
20%	345	12.4
25%	46	1.6
Zero interest	92	3.3

4.10 Payment of loan interest

Most (79%) of the microenterprise operators had loans whose interests were not deducted upon the release of their loans.

Table 60. Number of ME Operators With Loan Interest Deducted/ Not Deducted in Advance

Item	No.	%
Included in installment	2212	79.4
Deducted in advance	482	17.3
No interest/Don't know	92	3.3
TOTAL	2786	100.0

4.11 Loan collateral

Most (78%) of the loans availed of by microenterprise operators were not collateralized. Only about eight percent of the total provided real property as security for their loans.

Table 61. Types of Loan Collaterals Provided by Microenterprise Operators

Collaterals Used	No.	%
None/clean loan	2167	77.7
Real property	229	8.2
Business permit	162	5.8
Co-makers	92	3.3
Cattle	92	3.3
Post-dated checks	46	1.6
Jewelry	46	1.6

4.12 Status of Most Recent Loans

Most (83%) of the microenterprise operators that had borrowed in the last 12 months are still indebted and are in the process of repaying their loans.

Table 62. Number of ME Operators With Fully Paid and Outstanding Loans

Item	No.	%
Still paying	2304	82.7
Fully paid	482	17.3

TOTAL	2786	100.0
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4.13 Qualities Liked About the Lender

The three qualities most microenterprises operators appreciate about their present credit sources are: fast loan processing (i.e. they can get a repeat loan immediately or that loan application requirements are minimal), accessibility of the lender; and that their interest rates are lower when compared with those of other lenders.

Table 63. Qualities Liked by Microenterprise Operators About the Source of Their Most Recent Loans

Qualities	No.	%
Fast loan processing	807	29.0
Accessible/always available	736	26.4
Lower interest	715	25.7
Not strict	208	7.5
No surcharge for delayed payment	184	6.6
Can pay anytime	183	6.6
No collateral	162	5.8
Collector picks up repayments	162	5.8
Pay only the interest	162	5.8
Loan amount adequate	138	4.9
No interest	92	3.3
Friendly staff	92	3.3
Daily amortization	46	1.6
Loan contract is explained & easy to understand	46	1.6
Not embarrassing to borrow from/knows the lender quite well	46	1.6
Loan guarantors not needed	46	1.6
Accepts payment in kind (palay)	46	1.6
Loan amount increased every time	46	1.6

4.14 Qualities Disliked About the Lender

Most (83%) of the microenterprise operators do not have any complaint about their present sources. Among the few who are dissatisfied with their present credit sources, the common

complaints are: stiff penalties for delayed payments, high interest rate, too many loan charges, and slow loan processing.

Table 64. Qualities Disliked by Microenterprise Operators About The Source of Their Most Recent Loan

Qualities Disliked	No.	%
None	2304	82.7
Penalty for late repayment	208	7.5
High interest rate	183	6.6
Too many loan charges	46	1.6
Takes a long time to release loan	46	1.6

Summary:

Among microenterprises, more than a third (37%) borrowed loans of at least P1,000 during the last twelve months; of whom, a third (33%) borrowed only once. Almost a third (31%) cited lending investors as their major source of loans, while only 3.3% named rural banks. Most (90%) borrowed loans of sizes P10,000 and below. When asked for the amount of recent loan, a little over a fifth (22.2%) borrowed P1,000 or less. As for the purpose of the recent loan, most (78%) use loans to augment working capital.

A little over half (52%) borrowed loans that mature within 60 days. Also, majority (53.9%) of the microenterprises were required to pay daily and over a third (34.8%) must pay a 10% interest rate. Most (79.4%) had loans whose interest was included in installment. As for the collateral, most (78%) were not required to submit a collateral. Most (83%) of those who borrowed in the last twelve months are still paying for the loan.

When asked what qualities do they like about their recent creditor, close to thirty per cent like fast loan processing, and a little over a fourth (26.4%) like loan accessibility. However, most (83%) indicated that their recent creditor do not possess any quality that they dislike.

5. SAVING PRACTICES

5.1 Reasons for Saving

The most common reason for saving among the majority (54 percent) of the microenterprise operators is to have something with which to start or expand a business. Providing for their children's education comes next (25%), while the need to provided for unexpected emergencies or medical expenses of family members comes out as the third most common reason (13%).

Table 65. Most Important Reasons of Microenterprise Operators for Saving (By Order of Importance)

Reasons For Saving	No.	%
Capital to start/expand a business	4012	53.6
Children's education	1863	24.9
Emergencies/medical expenses	944	12.6
Old age/retirement	437	5.8
House repair/renovation	137	1.8
Without specific need or purpose	92	1.2
TOTAL	7485	100.0

5.2 Place where savings is kept

Most (68%) of the microenterprise operators keep their savings at home. A third (33%), however, have savings accounts in banks, while only 15 percent claim that they do not have any savings at all.

Table 66. Places Where Microenterprise Operators Usually Keep Their Savings

Place Kept	No.	%
At home	5090	68.0
In a bank	2470	33.0
Don't have any savings	1127	15.1
In a savings & credit group	503	6.7
In a cooperative	46	0.6
TOTAL	7485	100.0

5.3 Factors Considered Most Important When Saving

The three most important factors considered by percent microenterprise operators when looking for a place to deposit their saving is the security of their deposits (90%), interest paid on their deposits (68%), and ability to withdraw or deposit with the depository institution even on week-ends (62%).

Table 67. Factors Considered Most Important by Microenterprise Operators When Looking for a Place to Deposit their Savings

Most Important Factors	No.	%
Safety of deposits	6745	90.2
Interest on deposits	5069	67.7
Open on week-ends	4653	62.2
Ease of withdrawal	3293	44.0
Low initial deposit	3227	43.1
Borrowing privilege	3198	42.7
Low maintaining balance	2603	34.8
Pick-up of deposits	1863	24.9
Lottery/Raffle	1032	13.8

5.7 Willingness to Deposit With Rural Banks

Most (68%) of the microenterprise operators claim that they are willing to deposit a relatively big amount (e.g P20,000) in rural banks assuming that they have this money. Almost a third, however, admitted that they would hesitate to deposit this amount in rural banks.

Table 68. Proportion of Microenterprise Operators Who Are Willing/Not Willing to Deposit P20,000 in a Rural Bank

Item	No.	%
Willing	5111	68.3
Not willing	2329	31.1
Not sure	46	0.6
TOTAL	7485	100.0

5.8 Reasons for Depositing with Rural Banks

The four most common reasons of microenterprise operators for depositing in rural banks are that: they believe that the rural bank, where they would like to deposit their savings in, is financial stable and could safeguard their deposits (42%); it is more convenient to transact business with the rural bank since it is near their place (30%); the interest on deposits offered by

the rural bank is higher (19%); and that its staff is friendly and respectful (13%).

Table 69. Reasons Why Microenterprise Operators Will Deposit their Money in a Rural Bank

Reasons	No.	%
My money is safe/RB appears to be financially	2170	42.5
It is near my place	1543	30.2
Offers high interest on deposits	990	19.4
Friendly staff/Employees are respectful	666	13.1
Can withdraw anytime	437	8.5
Fast processing of transactions	437	8.5
Only bank that I know/Used to it	184	3.6
Can avail of loan	92	1.8
Can start with just P500/ Low maintaining balance/No charges or fees	46	0.9
Has raffle prizes for depositors	46	0.9
Has a checking account	46	0.9

5.9 Reasons for Not Depositing with Rural Banks

Among microenterprise operators who would hesitate in depositing their money in rural banks, the most common reasons cited are that: they are not familiar with the procedures of rural banks (21%); they are satisfied with the services of their current depository banks or that they believe that the services of other banks are better (20%); the interest rates offered by other banks, in particular, are higher (18%); and the rural bank which they know of does not appear to be financially stable (14%).

Table 70. Reasons Why Microenterprise Operators Would Not Deposit Their Money in a Rural Bank

Reasons	No.	% to Total
Not used to depositing with RBs/don't know their procedures	482	20.7
Contented with services of current depository bank/Other banks seems to have better services	462	20.0
It offers low interest on deposits	416	17.9
The bank does not appear to be financially stable	324	14.0

Reasons	No.	% to Total
RB is far my place	300	12.9
Money better kept at home for emergency	162	7.0
Better to invest money in business	46	2.0
Don't know the staff/manager	46	2.0
Slow in processing transactions	46	2.0

5.10 Preferred Depository RB

Among the various rural banks in Digos, most (70%) of the microenterprise operators prefer to deposit with the Rural Bank of Digos. The remaining thirty percent claim that they prefer to deposit with the Cooperative Rural Bank of Digos.

Table 71. Preferred Depository Rural Bank of Microenterprise Operators

Rural Bank	No.	%
RB Digos	3568	69.8
CRB Digos	1543	29.9
TOTAL	5111	100.0

5.11 Prizes Liked to be Won in a Raffle Promo

A majority (53%) of the microenterprise operators prefer cash prizes in a raffle promo. Others would be attracted to participate if the prize would be a house and lot (21%), or household appliances (18%). Among various household appliances, refrigerators and TV sets appear to be the most popular among the microenterprise operators.

Table 72. Prizes Preferred To Be Won in a Raffle by Microenterprise Operators

Prizes	No.	%
Cash	3988	53.3
House & lot	1568	20.9
Household appliances	1335	17.8
-Refrigerator	553	7.4
-TV	391	5.2
-Sewing machine	162	2.2
-Gas range	46	0.6

Prizes	No.	%
-Karaoke	46	0.6
-Unspecified	137	1.8
Car	345	4.6
Sack of rice	137	1.8
Tricycle	46	0.6

Summary:

Among microenterprises, a little over half (54%) save in order to expand business. Most (68%) keep their savings at home. When asked what factors do they consider important when saving, almost all (91%) named security of deposits. Most (68.3%) stated that they are willing to deposit big amounts in rural banks. Among the rural banks in Digos, RB Digos was indicated by most (70%) of the microenterprises as their preferred rural bank. A little less than half (42.5%) find rural banks financially stable. However, a little over a fifth (20.7%) of the microenterprises reasoned that they hesitate to deposit in rural banks because they are not familiar with the procedures. Further, given an opportunity for a raffle, a little over half (53%) would like to win cash prizes.

6. BUSINESS PLANS

6.1 Expansion of Business

Most (76%) of the microenterprise operators would like to expand their present business enterprises. A small proportion (7%) would either like to invest in new businesses in addition to their current activities or shift to other business enterprises altogether (4%). Only 14 percent has no plan either to expand their business enterprises or shift to a new business.

Table 73. Nature of Present Business Plans of Microenterprises

Business Plan	No.	%
Expand present business	5693	76.1
Put up additional business	553	7.4
Shift to other business	275	3.7
No plan	1056	14.1
TOTAL	7485	100.0

Among those with plans to invest in new business undertakings, the most popular investment activity is still sari-sari stores (36%). Soy-sauce making (20%) and carenderias (11%) are the next two most favored business activities.

Table 74. Type of New Business Being Considered by Microenterprise Operators

Type of Business	No.	%
Sari-sari store	299	36.2
Soy sauce making	162	19.6
Buy and sell	92	11.1
Carenderia/other eating places	46	5.5
Dry goods store	46	5.5
Bakery	46	5.5
Slippers	46	5.5
Informal moneylending (5-6)	46	5.5
Poultry	46	5.5

6.2 Capital Requirement

The average amount needed by microenterprise operators to expand their current businesses or start new enterprises is almost P70,000. However, the majority (56%) would need less than P20,000, at most.

Table 75. Amount of Additional Capital Needed by Microenterprise Operators

Amount	No.	%
Less than P1,000	92	1.4
1000-4999	366	5.7
5000-9999	898	14.0
10000-19999	2233	34.7
20000-99999	1892	29.4
100000 and over	948	14.7
TOTAL	6429	100.0
Average	67575.1	

6.3 Source of Capital

Most (60%) of the microenterprise operators with investment plans claim that their own savings would be enough to finance the capital they need to expand or start a business. More than a third (36%), however, admitted that they need external financing and that most of those who do prefer to borrow from rural banks.

Table 76. Preferred Source of Capital of Microenterprise Operators

Source of Capital	No.	%
From own savings	3871	60.2
From a loan	2329	36.1
-Rural bank	1039	16.1
-Any bank	669	10.4
-Cooperative	229	3.6
-Lending investors	254	3.9
-Financing company	46	0.7
-DSWD	46	0.7
-No definite source yet	46	0.7

Source of Capital	No.	%
Contributions from friends/relatives	137	2.1
Sell some properties	92	1.4

6.4 Preferred Loan Terms and Conditions

6.4.1 Interest Rate

A majority (52%) of those who need to borrow funds for their business prefer loans with an interest rate of five percent a month. Those who want an interest rate not exceeding three percent a month constitute the second biggest group (30%).

Table 77. Preferred Loan Interest Rates of Microenterprise Operators

Monthly Interest Rate	No.	%
2%	299	12.1
3%	740	30.0
4%	46	1.9
5%	1289	52.3
8%	46	1.9
10%	46	1.9
TOTAL	2466	100.0

6.4.2 Maturity

Most (57%) want a longer term for their loans, preferably with a maturity of at least 360 days. Only about a fifth (19 %) prefer loans that mature within 90 days or less.

Table 78. Preferred Term of Loan of Microenterprise Operators

Maturity	No.	%
15 days	162	6.6
30 days	46	1.9
90 days	254	10.3
120 days	46	1.9
180 days	370	15.0
300 days	46	1.9
360 days	1405	57.0
> One year	137	5.4

Maturity	No.	%
TOTAL	2466	100.0

6.4.3 Mode of Repayment

Half of the microenterprise operators want their loans to be repaid on a monthly basis. Others want the amortization schedule to be on a daily basis (17%), fortnightly (15%), or weekly (10%). Very few, though, would want an amortization plan less frequent than a monthly schedule.

Table 79. Preferred Loan Amortization Schedules of Microenterprise Operators

Amortization Schedule	No.	%
Daily	416	16.9
Weekly	254	10.3
Every 15 days	370	15.0
Monthly	1243	50.4
Every 3 months/quarterly	46	1.9
Every 6 months	46	1.9
Every cropping	46	1.9
Annually	46	1.9
TOTAL	2466	100.0

6.4.4 Collateral

Most (59%) are willing to provide tangible collaterals to secure their loans if these are necessary. About 30 percent claim that they have land titles which they can mortgage. Others are willing to pledge their household appliances (21%) or their house (7%) as collateral. Only about two percent claim that they have nothing to offer to their lenders as collateral except their business licenses.

Table 80. Preferred Loan Collateral of Microenterprise Operators

Collateral	No.	%
Land title	736	29.9
Appliances	507	20.6
House	162	6.6

Collateral	No.	%
Business permit	46	1.9
None	1015	41.1
TOTAL	2466	100.0

Summary:

Among microenterprises, most (76%) have plans to expand present business. On one hand, among those who plan to invest in other types of business, a little over a third (36.2%) would like to open sari-sari stores. Almost a third (34.7%) perceive that they need P10,000-19,999 to pursue business shift/expansion plans. Most (60.2%) intend to finance expansion plans through their own savings, while over a third (36.1%) intend to avail of loans.

Among those who intend to borrow, majority (52%) prefer to avail of loans with a 5% interest rate. More than half (57%) opt for a 360-day maturity. In terms of repayment mode, about half would want to pay on a monthly basis. Also, most (59%) are willing to provide tangible collaterals to secure loans.