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ACCESS TO FINANCE, FINANCING STRATEGIES, AND FINANCIAL BARRIERS: THEIR RELATIONSHIP WITH THE GROWTH SUSTAINABILITY OF MICRO, SMALL, AND MEDIUM ENTERPRISES IN SULAT, EASTERN SAMAR

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in promoting economic growth, generating employment, and reducing poverty, particularly in developing economies such as the Philippines. Despite their significant contribution to local economic development, many MSMEs continue to experience financial constraints that hinder business expansion and long-term sustainability. This study examined the level of access to finance, financing strategies, and financial barriers and their relationship with the growth sustainability of MSMEs in Sulat, Eastern Samar.

A quantitative descriptive-correlational research design was employed. Data were collected from 20 registered MSME owners using a structured questionnaire. Descriptive statistics, weighted mean, and Pearson's Product-Moment Correlation were used to analyze the data.

The findings revealed that most respondents were microenterprises engaged in the retail and service sectors with limited capitalization and workforce. MSMEs reported a moderate level of access to finance, with non-bank financial institutions perceived to be more accessible than banks and government financing programs. Respondents primarily relied on personal savings and informal borrowing to finance their business operations. High interest rates, collateral requirements, and complicated loan application procedures were identified as the major barriers to obtaining formal financial assistance.

*Correlation analysis revealed **no statistically significant relationship** between access to finance and the growth sustainability of MSMEs. Likewise, no statistically significant relationship was found between financial barriers and business growth sustainability. These findings suggest that, within the context of rural enterprises, business sustainability may be influenced by factors beyond financial access alone, including market conditions, managerial capability, and local economic opportunities.*

The study recommends strengthening financial literacy programs, simplifying lending procedures, improving awareness of government financing initiatives, and expanding institutional support to promote the long-term sustainability of rural MSMEs.

KEYWORDS*: access to finance, financial barriers, financing strategies, growth sustainability, MSMEs, rural enterprises*.

I. INTRODUCTION

Background of the Study

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the backbone of economic development in both developed and developing countries. They contribute significantly to employment generation, poverty reduction, innovation, and inclusive economic growth. Globally, MSMEs account for approximately 90% of all businesses and provide more than half of total employment, making them indispensable contributors to economic resilience and sustainable development.

In the Philippines, MSMEs comprise approximately 99.6% of all registered business establishments and employ more than two-thirds of the country's workforce. Their substantial contribution to employment and local economic activity highlights their importance in achieving national development goals. Despite their dominance in terms of number, however, MSMEs contribute a relatively smaller share of total economic output because many continue to face operational, managerial, and financial challenges that limit business growth and competitiveness.

Among these challenges, limited access to finance remains one of the most significant obstacles affecting MSME development. Adequate financial resources enable businesses to purchase equipment, expand operations, adopt new technologies, improve productivity, and withstand economic uncertainties. Nevertheless, many MSMEs encounter difficulty obtaining formal financing due to stringent lending requirements, insufficient collateral, limited credit history, and complex loan application procedures. These barriers are particularly evident in rural communities where financial institutions are less accessible and lending opportunities are more limited.

When formal sources of financing are unavailable, MSME owners frequently depend on personal savings, financial assistance from relatives, or informal lending arrangements to sustain business operations. Although these financing strategies help enterprises survive in the short term, they often provide insufficient capital to support long-term expansion and sustainable business growth. Consequently, many rural enterprises remain vulnerable to financial instability and limited market competitiveness.

Recent studies have emphasized the importance of financial inclusion, digital financial services, and financial literacy in improving MSME access to formal credit and enhancing business performance. Increased access to affordable financing enables entrepreneurs to invest in innovation, increase productivity, create employment opportunities, and improve overall business sustainability. However, these opportunities remain unevenly distributed, particularly among enterprises operating in geographically isolated municipalities.

Sulat, Eastern Samar, is a rural municipality where most enterprises are classified as micro or small businesses engaged primarily in retail, food services, agriculture, fisheries, and other community-based economic activities. Similar to many rural communities in the Philippines, MSMEs in Sulat continue to experience challenges in accessing formal financial services because of limited banking infrastructure, geographic isolation, and stringent institutional lending requirements. Understanding how these enterprises obtain financing and how financial constraints influence their sustainability is therefore essential for designing responsive development programs.

Although previous studies have extensively examined MSME financing in urban and national contexts, relatively few have focused on rural municipalities in Eastern Visayas. This limited body of localized evidence creates a gap in understanding the financial realities experienced by MSMEs operating in geographically isolated communities such as Sulat, Eastern Samar. Addressing this gap is important because local economic conditions, financial infrastructure, and market opportunities may differ substantially from those found in highly urbanized areas.

Accordingly, this study examined the level of access to finance, financing strategies, financial barriers, and their relationship with the growth sustainability of Micro, Small, and Medium Enterprises in Sulat, Eastern Samar. The findings are expected to provide valuable information for local government units, financial institutions, the Department of Trade and Industry (DTI), and other stakeholders in developing policies and interventions that strengthen the sustainability and competitiveness of rural MSMEs.

II. METHODOLOGY

Research Design

This study employed a **quantitative descriptive-correlational research design** to examine the relationship between access to finance, financing strategies, financial barriers, and the growth sustainability of Micro, Small, and Medium Enterprises (MSMEs) in Sulat, Eastern Samar.

The descriptive component was used to determine the respondents' level of access to finance, financing strategies, financial barriers, and business growth sustainability. The correlational component was utilized to determine whether significant relationships existed between access to finance, financial barriers, and the growth sustainability of MSMEs.

A quantitative approach was considered appropriate because it enabled the collection of measurable data through a structured questionnaire and facilitated objective statistical analysis of the relationships among the study variables. According to John W. Creswell and J. David Creswell (2018), quantitative research is appropriate when researchers seek to examine relationships among variables using statistical techniques.

Locale of the Study

The study was conducted in the Municipality of Sulat, Eastern Samar, located in Region VIII (Eastern Visayas), Philippines. Sulat is classified as a fourth-class municipality whose economy is primarily supported by agriculture, fisheries, retail trade, and small-scale service enterprises.

The municipality was selected because MSMEs constitute an important component of the local economy while operating within a rural setting where access to formal financial institutions remains relatively limited. Consequently, the municipality provided an appropriate setting for examining the financial experiences and sustainability of rural enterprises.

Respondents of the Study

The respondents consisted of **20 registered MSME owners or managers** operating in Sulat, Eastern Samar.
The list of registered enterprises was obtained from the Department of Trade and Industry (DTI) Eastern Samar Provincial Office and the Municipal Economic Enterprise and Development Office (MEEDO). Only enterprises that had been operating for **at least one year** were included to ensure that respondents possessed sufficient experience regarding financing practices and business performance.
Because the number of registered MSMEs that met the inclusion criteria was limited, all qualified enterprises were included in the study.

Research Instrument

Data were collected using a **researcher-developed structured questionnaire** adapted from previous studies on MSME financing and business sustainability. The questionnaire was subjected to expert validation by specialists from the Department of Trade and Industry and members of the academic community to ensure content validity.
The instrument consisted of five sections:
Part I gathered information regarding the respondents' business profile, including business type, years of operation, sector, capitalization, and number of employees.
Part II measured the respondents' level of access to finance through indicators related to banks, non-bank financial institutions, loan requirements, institutional accommodation, and government financial assistance programs.
Part III assessed the financing strategies employed by MSMEs, including the use of personal savings, informal borrowing, cooperative financing, multiple funding sources, and government credit programs.
Part IV evaluated the financial barriers encountered by respondents, including collateral requirements, high interest rates, complicated loan procedures, limited financial information, and institutional accessibility.
Part V measured the growth sustainability of MSMEs using indicators related to business income, capital investment, employment, and product or service expansion.

Responses were measured using a Likert-type scale appropriate to each section of the questionnaire.
The internal consistency of the instrument was evaluated using **Cronbach's Alpha**, with coefficients of **0.70 or higher** considered acceptable for research purposes.

Data Collection Procedure

Prior to data collection, the researcher secured the necessary approval from the concerned local government offices and relevant institutions. The registered MSMEs that satisfied the inclusion criteria were identified, after which the researcher personally administered the questionnaires to the respondents. The purpose of the study was explained, and informed consent was obtained before participation.

Completed questionnaires were collected, checked for completeness, encoded into Microsoft Excel, and prepared for statistical analysis.

Statistical Treatment of Data

The collected data were analyzed using descriptive and inferential statistical techniques. Specifically, the following statistical tools were employed:
Frequency and Percentage Distribution were used to describe the demographic and business characteristics of the respondents.

Weighted Mean was utilized to determine the respondents' level of access to finance, financing strategies, financial barriers, and growth sustainability.

Pearson Product-Moment Correlation Coefficient (Pearson's r) was employed to determine the relationship between access to finance and growth sustainability, as well as the relationship between financial barriers and growth sustainability. Statistical significance was evaluated at the **0.05 level of significance**.

Ethical Considerations

The study strictly adhered to accepted ethical principles in research.
Participation was voluntary, and respondents were informed about the purpose, procedures, and significance of the study before completing the questionnaire. Respondents were assured that their identities would remain confidential and that all information collected would be used solely for academic purposes.

The researcher also complied with the provisions of the **Data Privacy Act of 2012**, ensuring the confidentiality, anonymity, and secure handling of all research data.

III. RESULTS AND DISCUSSION

Profile of the Respondents

The study involved **20 registered MSME owners** operating in Sulat, Eastern Samar. The majority of respondents were **microenterprises**, primarily engaged in the **retail and service sectors**, and had been operating for **one to six years**. Most businesses employed **one to nine workers** and reported an estimated capitalization of **less than ₱500,000**, indicating that the MSMEs included in the study were predominantly small-scale enterprises.
These findings are consistent with national statistics indicating that microenterprises constitute the largest segment of the Philippine business sector. Their relatively small capital base and workforce reflect the characteristics of rural enterprises, which typically

operate with limited financial and human resources. Such conditions often constrain their ability to expand operations, adopt new technologies, and improve long-term competitiveness.

Level of Access to Finance

Table 1 presents the respondents' level of access to finance. Overall, the findings indicate that MSMEs experienced a **moderate level of access** to financial resources. Among the indicators, **non-bank financial institutions** received the highest mean score (**M = 4.10, SD = 0.641**), suggesting that respondents perceived these institutions to be more accessible than traditional banks. Conversely, **government financial assistance programs** obtained the lowest mean score (**M = 2.55, SD = 0.826**), indicating relatively limited accessibility.

The greater accessibility of non-bank financial institutions may be attributed to their less stringent lending requirements, simplified application procedures, and stronger presence within rural communities. In contrast, government financing programs often require extensive documentation and involve lengthy processing periods, discouraging many small business owners from applying.

These findings support previous research indicating that while formal financing mechanisms exist, rural entrepreneurs continue to experience challenges in accessing institutional credit because of procedural requirements and eligibility constraints. Consequently, financial availability does not necessarily translate into practical accessibility.

Financing Strategies

Table 2 summarizes the financing strategies adopted by MSMEs. The findings reveal that respondents primarily relied on **informal borrowing from family, friends, and informal lenders** (**M = 4.10**) and the **use of multiple funding sources** (**M = 3.65**) to finance their business activities. Meanwhile, reliance on **cooperatives and microfinance institutions** received comparatively lower ratings (**M = 2.90**).

These findings demonstrate that MSME owners employ flexible financing strategies to sustain business operations despite limited access to formal credit. Informal financing remains attractive because it is generally easier to obtain, requires minimal documentation, and often involves more flexible repayment arrangements.

However, dependence on informal financing may limit business expansion because such funding sources are typically insufficient to support substantial investments, technological innovation, or long-term business growth.

Barriers to Finance

Table 3 presents the financial barriers encountered by MSMEs. **High interest rates** emerged as the most significant constraint (**M = 3.85, SD = 0.933**), followed closely by **collateral requirements** (**M = 3.70**) and **complex loan application procedures** (**M = 3.40**).

These findings indicate that the primary challenge faced by rural entrepreneurs is not merely the availability of financial institutions but the affordability and accessibility of financial services. Many MSMEs operate with limited assets and insufficient financial documentation, making compliance with institutional lending requirements difficult.

The findings support previous studies emphasizing that high borrowing costs and strict collateral requirements remain major obstacles preventing MSMEs from utilizing formal financing. Consequently, many entrepreneurs continue to rely on internally generated funds despite the limitations of such financing strategies.

Growth Sustainability of MSMEs

Table 4 indicates that respondents generally reported **stable rather than rapidly expanding business performance**. Business income and capital investment remained relatively unchanged, while product and service offerings showed only modest improvement. Employment growth likewise remained limited.

These findings suggest that the majority of MSMEs were able to maintain business operations but had not yet achieved substantial expansion. Such performance is characteristic of rural microenterprises that prioritize business survival over aggressive growth, particularly under conditions of financial uncertainty and limited market opportunities.

Relationship Between Access to Finance and Growth Sustainability

Table 5 presents the relationship between access to finance and the growth sustainability of MSMEs.

The analysis revealed a very weak positive correlation between access to finance and growth sustainability ($r = .066$, $p = .782$). Because the computed p-value exceeded the 0.05 level of significance, the null hypothesis was accepted. Therefore, no statistically significant relationship was found between access to finance and the growth sustainability of MSMEs in Sulat, Eastern Samar.

This finding suggests that improved financial access alone may not necessarily translate into greater business sustainability within the local context. While access to financial resources remains important, the sustainability of rural enterprises is likely influenced by multiple interacting factors, including entrepreneurial capability, customer demand, market size, infrastructure, and managerial practices.

This result differs from many national and international studies that reported significant positive relationships between financial access and business growth. The discrepancy may be explained by the unique characteristics of rural municipalities, where structural and economic limitations may reduce the impact of financial access on business performance.

Relationship Between Barriers to Finance and Growth Sustainability
Table 6 presents the relationship between barriers to finance and growth sustainability.
The results revealed a very weak positive correlation ($r = .087$, $p = .717$) between financial barriers and growth sustainability. Since the p-value was greater than the 0.05 level of significance, the null hypothesis was likewise accepted, indicating no statistically significant relationship between financial barriers and the growth sustainability of MSMEs.

Although respondents identified several financial barriers, these obstacles were not found to have a statistically significant association with business sustainability. This finding suggests that MSMEs may have developed practical coping strategies, such as relying on personal savings or informal financing, enabling them to continue operating despite financial constraints.

It is also possible that non-financial factors—including business experience, customer relationships, market conditions, and entrepreneurial resilience—play a more influential role in sustaining rural enterprises than financial access alone.

Discussion

The findings of this study contribute to the growing body of literature on MSME financing by providing empirical evidence from a rural municipality in Eastern Samar. Consistent with previous research, the respondents were predominantly microenterprises with limited capitalization and workforce, characteristics commonly associated with rural MSMEs.

The study confirms that non-bank financial institutions and informal financing remain important sources of capital for rural entrepreneurs, while high interest rates, collateral requirements, and complex lending procedures continue to discourage the use of formal credit. These findings are consistent with previous studies highlighting persistent barriers to financial inclusion among small businesses.

However, unlike many earlier studies conducted in urban or national settings, this study found no statistically significant relationship between access to finance, financial barriers, and growth sustainability. Rather than indicating that finance is unimportant, these findings suggest that the influence of finance may be moderated by contextual factors specific to rural communities.

The relatively small scale of business operations, limited local markets, transportation constraints, infrastructure challenges, and restricted digital connectivity may exert greater influence on business sustainability than financial access alone. Furthermore, many respondents relied on informal financing mechanisms that allowed them to continue operating despite limited institutional support.

These findings highlight the importance of adopting a holistic approach to MSME development. While expanding financial access remains necessary, policymakers should also prioritize entrepreneurship development, financial literacy, market expansion initiatives, digital transformation, and infrastructure improvement. Integrated interventions addressing both financial and non-financial constraints are likely to produce more sustainable outcomes for rural enterprises.

IV. SUMMARY OF FINDINGS

This study examined the level of access to finance, financing strategies, financial barriers, and their relationship with the growth sustainability of Micro, Small, and Medium Enterprises (MSMEs) in Sulat, Eastern Samar. Using a quantitative descriptive-correlational research design, data were collected from 20 registered MSME owners representing various business sectors within the municipality. The findings revealed that the majority of respondents were microenterprises engaged primarily in the retail and service sectors, with fewer than ten employees and an estimated capitalization of less than ₱500,000. These characteristics reflect the typical profile of rural MSMEs operating with limited financial and human resources.

The study further revealed that respondents generally experienced a moderate level of access to finance, with non-bank financial institutions perceived to be more accessible than banks and government financing programs. Nevertheless, institutional requirements, limited awareness of available financing opportunities, and procedural constraints continued to restrict access to formal sources of credit. To sustain their business operations, most respondents relied on personal savings, informal borrowing from family and friends, and the combination of multiple funding sources. High interest rates, collateral requirements, and complicated loan application procedures emerged as the most common barriers to obtaining external financing.

With respect to the relationship between the study variables, the statistical analysis revealed a very weak positive correlation between access to finance and the growth sustainability of MSMEs (**r = .066, p = .782**), indicating no statistically significant relationship. Similarly, the relationship between barriers to finance and growth sustainability showed a very weak positive correlation (**r = .087, p = .717**), which was likewise not statistically significant. These findings suggest that while financial access and financing barriers remain important concerns among rural MSMEs, they were not significant predictors of business growth sustainability in the present study. This implies that other factors, such as entrepreneurial capability, market conditions, business experience, infrastructure, and local economic opportunities, may play a more substantial role in influencing the long-term sustainability of MSMEs in Sulat, Eastern Samar.

V. CONCLUSIONS

Based on the findings of the study, the following conclusions were drawn:
Micro, Small, and Medium Enterprises in Sulat, Eastern Samar are predominantly micro-scale businesses operating with limited financial and human resources. Although financial institutions and government financing programs are available, MSMEs continue to experience practical challenges in accessing formal sources of credit because of collateral requirements, high interest rates, and complex lending procedures.

Consequently, many business owners rely on personal savings and informal financing to sustain their operations. While these financing strategies enable enterprises to continue operating, they may not provide sufficient resources to support long-term expansion and business development.

Most importantly, the statistical analysis demonstrated that **neither access to finance nor financial barriers exhibited a statistically significant relationship with the growth sustainability of MSMEs**. This finding suggests that financial access alone does not fully explain business sustainability in rural communities. Instead, business growth may depend on a broader combination of financial and non-financial factors, including entrepreneurial competence, market opportunities, customer demand, infrastructure, and management practices.

Therefore, efforts to strengthen MSMEs should extend beyond improving access to financial services and should incorporate comprehensive support programs that enhance entrepreneurial capacity, financial literacy, market competitiveness, and institutional assistance.

VI. RECOMMENDATIONS

Based on the findings and conclusions of the study, the following recommendations are offered:

1. **Micro, Small, and Medium Enterprise Owners**
   MSME owners are encouraged to strengthen their financial management skills by participating in financial literacy and entrepreneurship training programs. They should also diversify their financing sources and improve financial record-keeping to increase their eligibility for formal lending institutions.
2. **Financial Institutions**
   Banks, cooperatives, and microfinance institutions should develop financing programs specifically designed for rural MSMEs by simplifying loan requirements, reducing unnecessary documentary procedures, and offering affordable financing options that are responsive to the needs of small enterprises.
3. **Local Government Unit of Sulat**
   The Local Government Unit should strengthen collaboration with financial institutions and relevant government agencies to implement capability-building activities, entrepreneurship development programs, and financial literacy initiatives that promote MSME sustainability.
4. **Department of Trade and Industry**
   The Department of Trade and Industry should intensify information dissemination regarding available financing programs and continue supporting MSMEs through training, mentoring, market linkage activities, and business development services.
5. **Future Researchers**
   Future studies are encouraged to involve larger sample sizes and include MSMEs from multiple municipalities within Eastern Samar or the Eastern Visayas Region. Researchers may also investigate additional determinants of business sustainability, such as entrepreneurial competencies, digital financial inclusion, innovation, business resilience, and market competitiveness.